Saint Petersburg State University

Graduate School of Management

Master in Management Program

The Effect of Inter-Government Political Relations for Russian Investments in Indian Market

Master's Thesis by the 2nd year student— **SNIGDHA SHARMA**

Concentration— **International Business Strategy**

Research advisor: Professor **Andrei Yu. Panibratov**

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ЗАЯВЛЕНИЕ О САМОСТОЯТЕЛЬНОМ ХАРАКТЕРЕ ВЫПОЛНЕНИЯ
ВЫПУСКНОЙ КВАЛИФИКАЦИОННОЙ РАБОТЫ

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АННОТАЦИЯ

Автор	Снигдха Шарма
Название ВКР	Влияние межправительственных политических отношений на российские инвестиции в индийский рынок
Образовательная программа	Высшая Школа Менеджмента
Направление подготовки	Международный бизнес
Год	2018
Научный руководитель	Панибратов Андрей Юрьевич
Описание цели, задач и основных результатов	Целью настоящей работы является исследование аспекта индо-российских бизнес-отношений с фокусом на межправительственные политические отношения, оказывающие влияние на российские прямые иностранные инвестиции в Индию, и изучение инвестиционного поведения российских компаний и их взаимоотношений с индийским рынком. В настоящем исследовании также сделана попытка изучить эффекты, влияющие на инвестиционное поведение и планы российских компаний на индийском рынке. Исследование показало, что основания российских компаний для вхождения на индийский рынок были лишь незначительно мотивированы инициативами индо-российских межправительственных отношений, обладающих государственной собственностью в стратегических направлениях экономики. Сильные межправительственные отношения отчасти содействовали созданию дружественного политического и делового окружения для российских многонациональных компаний, которые мотивированы развивать долгосрочное представительство на крупном индийском рынке со значительными перспективами роста.
Ключевые слова	Межправительственные взаимоотношения, прямые иностранные инвестиции, многонациональные компании, индо-российские взаимоотношения, смешанное предприятие, внутренний валовой продукт

ABSTRACT

Master Student's Name	Snigdha Sharma
Master Thesis Title	The Effect of Inter-Government Political Relations for Russian Investments in Indian Market
Educational Program	Graduate School of Management
Main field of study	International Business (IB)
Year	2018
Academic Advisor's Name	Andrei Yu. Panibratov
Description of the goal, tasks and main results	The goal of this thesis is to study the niche aspect of Indo-Russian business relationship with respect to intergovernment political relations that effect Russian Foreign Direct Investment in India and obtain more knowledge about investment behavior of Russian companies in a more holistic context and their relationship with Indian market. This study also attempts to research the effects that influence investment behavior of Russian companies in Indian market and to explore the company's future plans in the markets. The research reveals that the main motivations of the Russian firms to enter India was not significantly ignited by the initiatives of Indo-Russian intergovernment relations which has state ownership in strategic areas of the respective economies. The strong intergovernment political relationship partially provided the friendly political business environment to Russian MNCs which motivated them to establish a long-term presence in a larger market with strong growth prospects.
Keywords	Intergovernment Relations, Foreign Direct Investment (FDI), Multinational Company (MNC), Indo-Russian Relations, Joint Venture (JV), Gross Domestic Product (GDP)

Contents

Chapter 1. INTRODUCTION

1.1 Background

The remarkable and potential growth of individual or organization in the diverse market like India is evident, and it is no surprise that organizations and international business scholars predict that the spotlight in the international corporate world in the coming years will be on such economies. With globalization, changes across the global market lead to significant structural variations, such as the easing of restrictions and legislation, created new opportunities for foreign direct investments (FDI) in a vision of countries to eliminate the restrictions of expanding and doing borderless businesses. Consistent improvement in economic growth and technological developments enabled companies to have tools and freedom to expand across unthinkable geographical boundaries, not only to enter new markets but to be able to create new markets as well by benefitting from factors like differences in locations: these may be geographical features such as natural resources, clusters in certain locations and an abundance of low-cost factors.

Formerly when companies entered a foreign market the investment was more related to servicing the local market with new or improved products and services for mutual benefits, which restricted to a buyer seller relationship. This framework was rather OK until globalization spread across nations and intrigued companies, organizations and institutions to have a global presence. Economic, environmental, socio-cultural, legal, political and technological advancements or stagnation in one nation effected economic, environmental, socio-cultural, legal, political and technological advancements or stagnation in another nation, infact varied accordingly. Economic crisis in one nation spread its influence of business bubble to other countries. To understand the niche of investment and methodological aspects related to Foreign Direct Investment (FDI), its characteristics and its effects the Organization for Co-operation and Development (OECD) and International Monetary Fund (IMF) defined FDI as a category of investment that “reflects the objective of obtaining a lasting interest by a resident entity of one economy (direct investor) in an enterprise that is resident in another economy (the direct investment enterprise) where the “lasting interest” implies the existence of a long-term relationship between the direct investor and the enterprise and a significant degree of influence on the management of the enterprise and direct investment involves both the initial transaction between the two entities and all subsequent capital transactions between them and among affiliated enterprises; both incorporated and unincorporated (OECD, 2017).

In a narrow sense, foreign direct investment refers just to building new facility, and a lasting management interest (10% or more of voting stock) in an enterprise operating in an economy other than that of the investor. Commonly, investments of at least ten percent of total equity to 100% cap in various sectors in a foreign firm are classified as foreign direct investments. Foreign investments that are below ten percent ownership are first combined in a portfolio of different ownership investments and then classified as portfolio investments. Hence a foreign direct investment is considered a long-term commitment and depends on the ownership share in the foreign entity (Reserve Bank of India -a. Reserve Bank of India that is the Central bank of India defines ‘control’ for calculation of total foreign direct investment – direct and indirect – in an Indian company as control means right to appoint a majority of directors or to control the management or policy decisions including by virtue of their shareholding or management rights or shareholders agreement or voting agreements (RBI, 2018). In India, as per the rules of liberalization, FDI comes through five routes. These are: the government (SIA/FIPB), RBI (automatic route), investment by NRIs, acquisition of shares, and equity shares of unincorporated bodies (Hill, 2008).

Across the thesis study, the term MNC will be used throughout for firms or companies investing in foreign markets. According to Peng (2006) the definition of a multinational company (MNC) is “firms that engage in foreign direct investment by directly controlling and managing value-adding activities in other countries, often have to adapt their strategies, products, and services for local markets. To describe multinational corporations**,** Lazarus (2001) mentioned that **“**a multinational corporation is a business organization whose activities are located in more than two countries and is the organizational form that defines foreign direct investment where this form consists of a country location where the firm is incorporated and of the establishment of branches or subsidiaries in foreign countries” is used.

In order to defend the domestic market, foreign investment was not always considered favorable for receiving countries which were usually not developed economically, while some governments hindered and even resisted foreign investors from entering the country because of nationalist sentiments and concerns over foreign economic and political influence. Seeing the enormous advantages related to FDI in developing counties, emerging economies and countries in transition, government in India sought to open up their markets the countries experienced an increasing inflow of foreign investments by liberalizing their FDI regime and followed best policies to attract investment. Kurtishi-Kastrati (2013) recognize that the maximizing benefits of FDI for the host country can be significant, including technology spillovers, human capital formation support, enhancement of competitive business environment, contribution to international trade integration and improvement of enterprise development. Ofcourse debate continues on whether and how the host countries benefit from these investments.

Russia has always grabbed every available investment opportunity in India, as India changed its FDI policy in 1991, attracting foreign investments for domestic development. Since ages, Russian Outward foreign direct investment (OFDI) have surprised outside observers by its landmark deals. Although, Russian FDI has volatilely fluctuated since the year 2000. Though Russia invested in various ways in Indian market since Indian independent from British Raj, somehow backing Indian economy at large. Russia´s economic growth, and foreign investments by few Russian giants in India, did not go unnoticed in the business and international business world. Some speculators were amazed by the rapid increase in Russia’s OFDI stock between 1995 and 2007, which was growing more than the OFDI stock of the other then emerging economies like Hong Kong, China, Brazil, India, etc. For international comparison, Russia ranked 25 in the list of FDI inflows of top 20 host economies of 2015 and 2016 whereas India ranked 10. In the list of FDI outflows of top 20 home economies of 2015 and 2016 Russia ranked 15, listed by the United Nations Conference on Trade and Development (UNCTAD) (UNCTAD, 2017). This success was extraordinary considering the amount of business done with respect to FDI flow.

The present thesis focuses on two countries – Russia and India – and analysis of foreign direct investment of Russian firms in India. The choice of the source country is not random; though India and Russia enjoyed quite a beneficial strategic partnership since the last seven decades, the business interactions between countries hasn’t gone beyond defense and military partnership which too constitute a very little percentage. The author is not aware of other similar studies conducted in Russia or Indian regarding this topic and it was out of interest to investigate the motivations and effect, experience and obstacles of the Russian companies that have invested in India. The reason for choosing Russia and India is twofold. Firstly, the size of Indian market is huge and diverse, and it has been on top of the foreign direct investment receiver list in recent years among emerging markets. Also, in an UNCTAD survey for 2016 to 2018, India remained one of the three top prospective host countries with China and US (UNCTAD, 2017). Secondly, according to the Central Bank of Russian Federation, pace of Russian foreign direct investment flow slowed due to the economic crisis and, being extremely volatile since 2014, but it’s pretty interesting how Russia is still exploring possible potentials to maintain, rather enhancing its FDI in India via political integration and cooperation. When it was on measured highest since ever in 2013 to USD 70685 million which constituted 3.08 of Russian GDP, whereas with respect to India, the statistics of outward FDI in India have been increasing, especially since 2015. Detailed analysis of the reason for understanding their factors, effects, motivation and entrance into markets would therefore be interesting to explore.

1.2 Motivation of the research

The interest in researching Indian and Russian markets was sparked during the course “International Business Strategy” at Saint Petersburg State University, Russia. The choice of this topic is due to the increasing role played by Russia and India in the international business world and to understand the business relationship between both the countries beyond defense and military. India became one of the most attractive destination for FDI in 2017 showing a growth projection of above 7%, outshining the FDI growth of other developed countries (OECD, 2017).

The economists round the world state India as one of the most promising emerging market since its economic liberalization which completely changed the traditional scenery of international market. As an Indian student in Russia, the keenness was obvious; at GSOM, motivation to understand Indo-Business relationship was kindled and further pronounced.

1.3 Objective of the research

As globalization intensified and exploded recently, multinational investments became more of a sophisticated established set of financial transactions and depend trends that are difficult to monitor and systematize by the investing and host countries. The objective of this thesis is to investigate and obtain more knowledge of FDI behavior of Russian MNCs investment relationship with India and understand in a more holistic background, the role of intergovernment relations, political environment of India and Russia, etc. as potential determinants of Russian investment behavior and factors in India. This study will also attempt to research the effects that influence FDI behavior of Russian MNCs in Indian and to explore the company's future plans in the markets. The term "emerging market" require definition as an understanding of foreign direct investment and the mechanisms of how companies choose to engage in FDI. For the purpose of this research, Russia and India are defined as emerging economies. Many worldly organizations publish yearly and quarterly reports and data on these subjects, such as the World Bank, the Organization for Economic Co-operation and Development (OECD), the International Monetary Fund (IMF), the United Nations Conference on Trade and Development (UNCTAD), etc. The above-mentioned objectives will allow for comparison with other studies on India and Russia and their FDI behavior which is affected by various factors; both external and internal.

1.4 Importance and implications of the research

This research is important because, to the best of the author´s knowledge, similar research has not been conducted with respect to India and Russia before. If the research indicates trends in the strategic thinking of Russia firms that have entered Indian markets, could potentially benefit current and future entrants into those markets, as well as Russian, Indian and Indo-Russian organizations that are linked to international trade. An attempt to determine FDI behavior will be informative, not only for associates of Russian firms, but also to the governments and policymakers in Asian countries that wish to attract more investments from Russia.

The study not only leads to a conclusion that the subject needs further exploration. This study can contribute to research on similar economies' studies in the international business world by focusing on firms from Russia and India. As foreign investment continues to grow in the global market, the method of this study could possibly be useful for examining FDI behavior of Russian firms in other parts of the world, such as in South East Asia, Africa and Europe through the lens of intergovernmental political relations.

1.5 Description of the Research

The Morgan Stanley Capital International Emerging Market Index lists India and Russia among the list of 23 emerging markets. Where India with China has been listed as the main emerging market powerhouses in the world with combined economic output of USD 27.8 trillion. With the development of BRICS, the importance both the countries have played for economic development for each other is commendable. From investments in Small- Medium Industry to Large Nuclear Power Sectors, both the countries collaborated strategically. After the second biggest financial crisis of the world in 2008 which impacted almost all of the world untouched Russian market. The rising commodities prices in the world gave marvelous advantage to Russia to grow its economy internally and create a stable market presence, it being oil and natural gas-based economy.

When the world was fighting inflation and investing in infrastructure, Russia rather spent the extra revenue on funding various subsidies, privatizing organizations and creation of government jobs, though ultimately crawled towards inflation in 2014 with fluctuation in Oil Prices. Since 2014, Russia promoted offshore investment to mark its presence, continued to invest in various attractive sectors of India. During this time, foreign direct investment has risen substantially, reflecting economic growth and strong economic performance in many parts of the world. Russia and India are no exception in this global economic growth phase, and this thesis will explore effect of intergovernmental political relations on outward FDI from Russia with respect to the Indian market and augment this research with theories put forward by other research scholars related to this topic.

1.6 Research Question

After reviewing the present literature with respect to the similar research area and topic, the compilation of the research gap leads to formation of the series of research questions put forward are the following:

1. What is the effect of intergovernment political relations between India and Russia on Russian investment done in India?
2. Why/why not does the intergovernment political relations between India and Russia effect/do not effect on Russian investment done in India?

To answer the main research question, an understanding of what the main motivations and investment decisions for Russian MNCs are to invest in Indian markets is needed. Hence, formulation of third question for the research is the following:

3. What are the main motivations and investment decisions of Russian MNCs to invest in Indian?

1.7 Research Method

The research will be based on qualitative method of research which constitute of primary and secondary data accumulated from UNCTAD, Reserve Bank of India and Central Bank of Russia. For conducting, Qualitative method, data was collected through an individual in-depth interview. Research on the internet was conducted for finding accurate information about the engaged companies, as well as an interview with the Head of the Economic and Commercial Wing (Embassy of India in Moscow), The advisor to the president- Union Central-Siberian Chamber of Commerce and Industry, to establish which Russian companies are participating in Indian markets, Head of Indian Business Forum in Moscow, etc.; this yielded a list of relevant companies, which were then analyzed to answer an interview questionnaire. The secondary data from various Russian MNCs were available on the internet from their annual company reports of 2017-18 and press statements, hence were analyzed comprehensively as a secondary data. In the questionnaire the representative of the company was asked fourteen questions and was reiterated as the was most suitable option to the company in the research finding table regarding motivations to enter, entry mode, benefits and experience in the emerging market. The interview was semi structured with a defined subject area and concluded with the open question where the representative was asked to assess the future developments of their companies or organizations in the market.

In a nutshell, the research methodology consisted of both primary and secondary data accumulated via qualitative methodology; and will expectantly result in a clear conclusion with method supporting and strengthening the overall research.

1.8 Structure of the Thesis

The initial chapter of this thesis contains the introduction and outline of the background, the research question, and description of the research, objectives, research method and the importance of the research. The second chapter comprises a literature review on foreign direct investment theories, review of intergovernmental political relations and effects of political environment on FDI.

The third chapter is aimed at understanding the effect of intergovernmental political relations and motivations of Russian MNCs to invest in India. Trend of Inward FDI of India and Outward FDI of Russia are reviewed and compared. Based on the comparison the main aspects of Russian outward FDI are identified and described. Then interview questionnaire for representatives and related officials is created. The purpose of the interview with experts is to investigate how much and why does/does not the intergovernment political relations between India and Russia do not effect on Russian investments done in India and to understand the main motivations and investment decisions of Russian MNCs to invest in Indian market, what factors influence their motivations and future expectations.

The next chapter provides the compilation of research findings from the data collected on the FDI Trends, Russian MNCs through the in-depth interview questionnaire which were conducted for the present thesis.

Finally, are the conclusions and discussions of the thesis and suggestions for possibility of future research work.

1.9 Research Limitations

The research being focused primarily on data collected by the author through interview conducted can be viewed as personal perceptions of the representatives who responded and helped voluntarily to construct the research findings and conclude the research. The research being primarily focused on Indian and Russian markets without any estimation of other external factors that can impact Indo-Russian intergovernment political relations like Russia's relationship with Pakistan and China. Many investments done by Russian Small and Medium size enterprises in Indian markets are not yet verified by the central banks of the countries either by the Central Bank of Russia or the Reserve Bank of India.

Chapter 2. THEORITICAL REVIEW

To understand the effect of intergovernmental political relations between India and Russia on, it is important to understand niche aspect of both intergovernmental relations and investments. We can define intergovernmental relations (IGR) as the processes and institutions through which governments within a political system interact. Russia and India both follow federal system of government, having more than one level of government. Establishing and most importantly maintaining intergovernmental harmonic political relations between countries is a difficult task and needs further study. Many scholars have associated economic development and performance of a country with overwhelming political characteristics. Foreign Direct Investment can be considered as a measure of holistic investment interaction with countries. Hence, this chapter reviews theories regarding foreign direct investment, what factors influence FDI choices, and interaction between MNCs and host countries or their governments. In this chapter, the author tries to focus between investment relations examined through the prism of intergovernment political relations.

OECD (2017) report states Foreign direct investment (FDI) as an integral part of an open and effective international economic system and a major catalyst to development. The intrigue of national policies and the international investment architecture matter for attracting FDI to a larger number of developing countries and for reaping the full benefits of FDI for development. Though the origins and aspects of FDI are not fully understood and are debatable. There are many schools of thoughts which have been used to explain the phenomenon, there is still no consensus on any superior or general theory that can be solely explored to compile various associated results. International business scholars and strategists have managed to answer many questions regarding the hundreds of countries, thousands of firms, organizations and millions of products and services in the world, such as: What motivates a firm to invest in another country? How does the host country attract more investments? What benefits does the firm expect to achieve? How does intergovernmental political relations facilitate and bring more FDI from specific country? Similar formulation of questions and statements shall be used to understand the context of present research.

2.1 Foreign Direct Investment

According to the United Nations Conference for Trade and Development (UNCTAD 2005), FDI is the "*investment made to acquire lasting interest in enterprises operating outside of the economy of the investor* (UNCTAD, 2017). FDI plays a well-known and significant role in the economic growth and substantial trajectory of countries' evolution although less is understood about the specific mechanisms through which FDI contributes to their economic development. Various theories of foreign direct investment have been developed since the 1960s to explore the ever-changing answers to questions related to determinants, motivations, effects and factors of investments by MNCs, international corporations, etc. through microeconomic lens. To understand the overall effect and establish a correlation between intergovernmental political relations and investment motivations it is important to understand the determinants of FDI and its theoretical review.

Viner (1953) established a relationship in trading and political relation, stating that the trading relationship raises contact and communication between individuals and governments from both countries and thus fosters cooperative political cooperation among nations. Though microeconomic standards are easier to understand and calculate. Winters (2004) outlines the macroeconomic view of FDI as the flow of consistent capital across national borders, measured in context of information related to statistics of balance-of-payments from home countries to host countries. A host country's ability to attract or stimulate FDI is impacted by macro-level determinants that influence on its market size, rate of economic growth, Gross domestic product (GDP), infrastructure and its quality, natural resources, technological advancements, institutional factors such as the political stability of' the country, amongst others. Nayak and Choudhury (2014) defines "Capital Market Theory" which claims that weaker currencies have a higher FDI-attraction ability and are better able to take advantage of differences in the market capitalization rate, compared to stronger country currencies. FDI in their analysis specifically, was the result of differences between source and host country currencies. Another was Location-based approach to FDI theories by Popovici and Calin (2014) which explained that the success of FDI among countries is rather based on the national wealth of a particular country, such as its endowment of its natural resources, availability of skilled and cheap labor, local market size, infrastructure and government policy influencing these national resources. The authors specified that although FDI location is influenced by the microeconomic element of the firm's behavior as the motives of its expansion, that is whether it is seeking for advantage with respect to resources, markets, efficiency or strategic assets; the overarching decision is in fact taken on the basis of both internal, external factors and economic geography, which is a macroeconomic decision as it takes cognizance of country-level characteristics. Another theory is Institutional FDI Fitness Theory developed by Wilhems and Witter (1998) which explains the flows related to the uneven distribution of FDI between countries with constitution of governments, markets, educational and socio-cultural fitness under a pyramid.

Desbordes and Vicard (2005) argues that interstate political interactions matter as they should be perceived as determinants of international economic linkages that effect or are effected by the quality of the diplomatic relations between the host country with other countries defining status of their military cooperation which seem to statistically influence the choice of location of foreign investors. Concluding that the adverse effect of both domestic and international political instability is thus significant for developing countries, and is likely to affect their subsequent growth path, stimulating reinforced economic cooperation between the host country and its FDI partners, through the signature of binding international agreements, Memorandum of Understandings (MoUs), treaties of cooperation like BITs, etc.

Within the overarching tradition of the theory of international trade, a particular theoretical strand, commonly referred to as the location theory (Vance, 1957), attempts to study the reasons responsible for choice of locations, as far as characteristics of individual firms are concerned answering specifically: Why do firms invest in establishment of production facilities in a different foreign location? (Vernon, 1974) identified geographical configurations of production locations and markets representing an economic equilibrium in space offering an explanation for one of the key issues relating to FDI: Why certain firms prefer investing abroad, rather than directly exporting? And theories of the firm and industrial organization to understand how are foreign firms able 'to compete effectively with their indigenous counterparts in host countries, despite the intrinsic and uncompetitive advantages enjoyed by the latter (Buckley and Casson, 2009) ? To verify a political determinants of foreign direct investment (FDI), economists have produced a rich body of work on the political environment. Much of their efforts are rooted in the "obsolescing bargain" tradition (Vernon, 1974), which emphasizes the shift in bargaining power that occurs when firms make capital investments abroad.

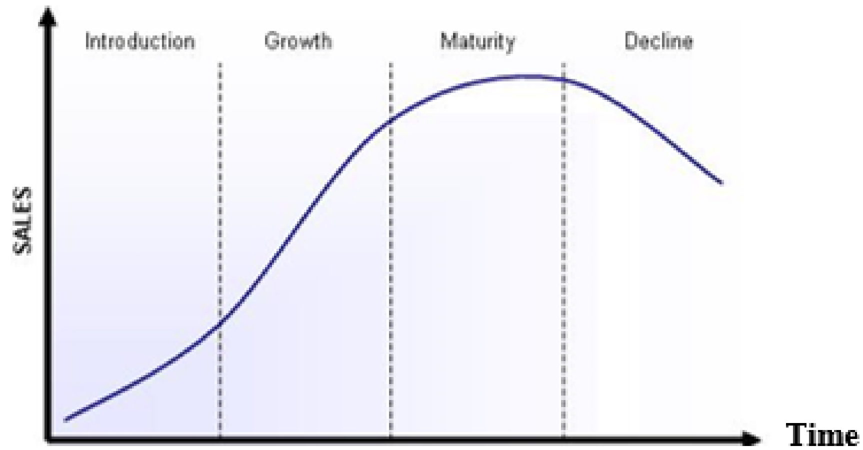
2.1.1 Review of FDI theories

An organization or individual firm can have a various motivation to undertake FDI and there being no sole theory that would justify almost all the situations comprehensively, hence following is the explanation of the existence of Multinational companies (MNCs) and FDI.

2.1.1.1 Product Life Cycle (PLC) theory

Vernon (1966) theorized the product life cycle theory concluding that firms set up production facilities abroad for products that had already been standardized and matured in a respective home market. He applied this product life cycle to countries instead of products; like he used this theory to explain cross-border activities of US firms in the post-war period. The theory demonstrates dynamic comparative advantage of a firm as the motivation to expand in another country. Vernon analyzed the aspects of competition and theorized the aspects of setting up specific stage of a business depending upon an individual analysis. The theory is divided into four stages which are introduction stage, growth stage, maturity stage and decline stage.

Figure 1. Product Life Cycle Diagram and characteristics



Characteristics	**Introduction**	**Growth**	**Maturity**	**Decline**
Sales	Low sales	Rapidly Rising	Peak	Declining
Cost	High Cost per customer	Average Cost Per Customer	Low Cost Per Customer	Low Cost Per Customer
Profits	Negative	Rising	High	Declining
Customers	Innovators	Early Adopters	Middle Majority	Laggards
Competitors	Few	Growing	Starting to decline	Constantly Decline

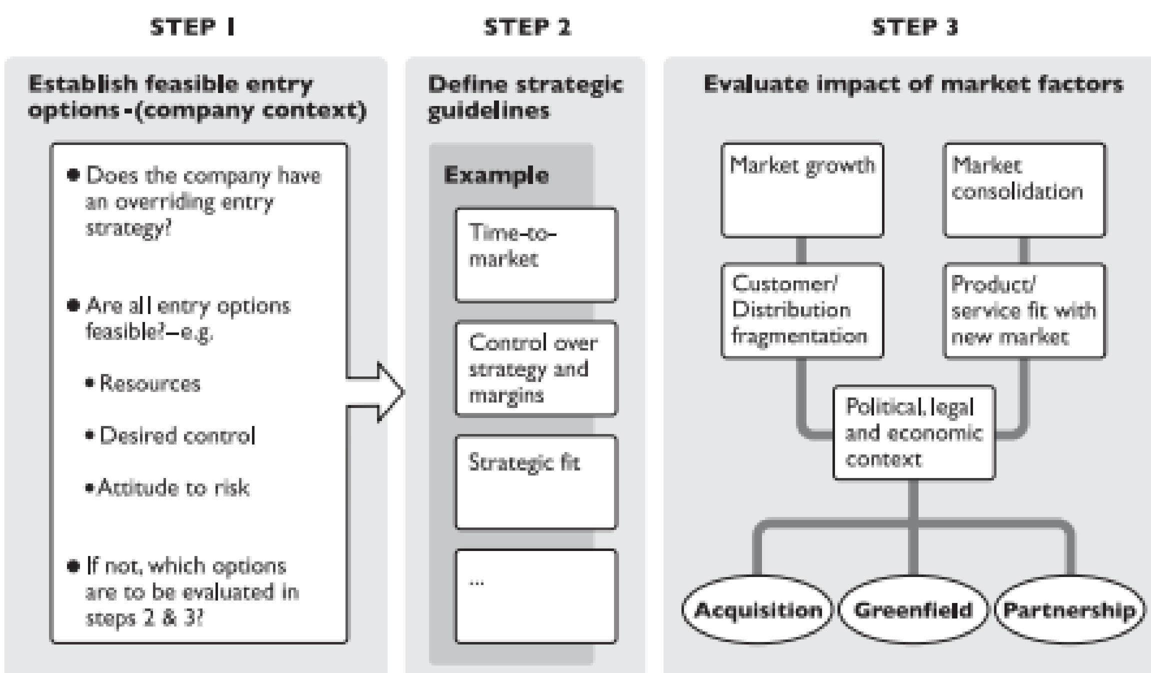
Source: Adapted from Vernon (2009)

The first stage is the introduction stage, where new products are introduced to meet local demand, where the competition of the firm is not based on price, but on the product attributes or the technology, so the firm expands to the countries where product is in demand or a market for potential customers can be created. The second stage is a growth stage where a similar copy of the product or a product with similar attributes specific to the market is produced in another country then introduced in the home market based on the cost of production. The third stage is the maturity stage where the industry contracts and concentrates; this is the stage where the lowest cost producer has the upper hand. And number of products sold in the market is inversely proportional to the cost of the product in the specific market. Stage four is the decline stage, when firms compete through price only and products have been standardized. When firms in countries could no longer compete in price so they import the product. But because labor is cheaper in other countries so the product is no longer produced in the US. This opens up production opportunity in other countries and motivates firms to expand across countries but fails to explain the expansion of other US companies who didn't have a competitive advantage in the market. Though Vernon´s theory is not considered one of the most useful one in explaining FDI, but it has contributed a lot in understanding to the nature of firm's competitive advantage in a market.

2.1.1.2 International market entry framework for choice of investments

Couturier and Sola (2017) made a comprehensive framework about choice of investments opted by companies in an international platform as they noticed that larger and more established multinationals are far more likely to choose a greenfield investment rather proximate via acquisition. The authors suggested a three-step market entry framework while for choice of investments.

Figure 2. International market entry framework



Source: Adapted from Couturier and Sola (2017)

Step 1: Establish the feasible options from an internal company perspective, such as resource availability, desired control or attitude to risk, evaluating the internal scenario

Step 2: Define the strategic guidelines, such as time-to-market, strategic fit, target margins, level of control, establishing the strategic vision and mission synchronization

Step 3: Evaluate the impact of the five market-based factors which are market growth, market consolidation, fragmentation of customer and distribution, new market fit and context of political and legal attributes.

The authors concluded that the decision on market entry mode should be driven by local market specificities as well as internal company criteria. This framework as well complemented the well-known Hymer's Theory (1976), emphasizing internal factors such as control, resources, organizational culture, or managerial skills, resulting in a lack of market-based guidelines on expansion strategies.

The framework though gives information about how external market factors influence the choice of international market entry choice of entry modes of multinational companies with respect to their size but study only restricts to European developed markets and fail to explain the micro aspect of companies from different parts of the world and their choice of expansion.

2.1.1.3 Internationalization theory

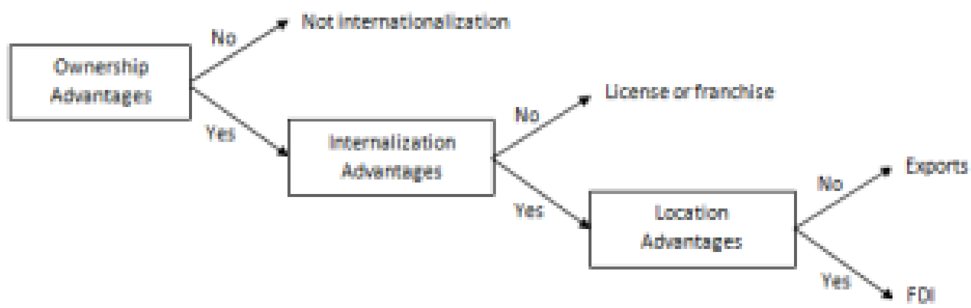
While focusing on factors that motivates corporations to invest in an emerging market like India, many researches have been conducted about the internationalization of firms, but undoubtedly the best-known research carried out at a Swedish University called Uppsala University by Johanson and Vahlne (2014). The research articulated the factors that motivates Swedish companies to expand and internationalize to other countries were because they were following each other consecutively into new markets. The Uppsala model by Johanson and Vahlne (1977) explains the characteristics of the internationalization process of the firm specifically in a distant country. The authors redeveloped their 1977 Uppasala Model in 2009 into a business network model of internationalization, used to study both resource-seeking and market-seeking internationalization due to rapidly growing number of modern firms being built around a brand, a design, or patented technology for which products and services are performed by a network of other firms. Musteen, Francis and Datta (2014) explains internationalization of firms with the desire to learn and acquire capabilities in developed international markets is strong among young firms in transition, the ability to do so is largely a function of their international linkages (i.e., networks) and additionally state that companies who emphasize on technological innovation moderates the relationship between firm reliance on international networks and early internationalization highlights that more technology savvy firms from emerging economies were more likely to engage in accelerated internationalization when international networks facilitated such internationalization. Vahlne and Johanson (2017) further explain what makes internationalization possible – ownership, control, or other forms of privileged access to firm-specific advantages, and the reasons for internationalization – efficient governance and economies of scale.

Both the authors make a “behavioral analysis” of internationalization of firms and only focus on characteristics of the process but not on the factors that affect their decisions to react and not passively adjust. They have different epistemological roots, histories, core foci, and objectives, despite being the dominant perspectives on the expansion of multinational firms but consistently concluded that opportunities drive internationalization. Rustam Akbarli Studies have described that, model was failed to predict internationalization of service industry. According to the Uppsala model (1977, 2007, 2017), internationalization of manufacturing firms starts with indirect export channel and move further. However, strategy for service firms is different. Due to nature of service, gradual and sequential process may not be valid for these firms (Cicic et al. 2008). Kubíčková (2013) furthermore notes that the Uppsala model assumption that companies first enter markets of lower psychic distance; i.e. the markets which are geographically and culturally close doesn’t correspond with US firms investing in India across the years which is geographically and culturally distant.

2.1.1.4 Dunning’s Eclectic theory

The Dunning’s Eclectic theory (Dunning 1980, 1993, 2000, 2008) defines a three-tiered OLI paradigm which provides an advantage framework based on ownership, location and internalization to analyze the attributes of why, where and how MNCs might invest abroad. According to dunning these investments could be due to various motivations like resource seeking, Market seeking, Efficiency seeking or strategic asset seeking. The OLI (ownership-location-internalization) paradigm regarding a firm's motivation for investment in foreign countries, Dunning (1998) outline that the ownership and internalization advantages are derived from firm-specific resources and related capabilities, in aggregation with motivation to reduction in transaction costs, while location advantages refer to the ability to capture broader markets and economically beneficial resources.

Figure 3. OLI paradigm



Source: Adapted from Eschlbeck (2012)

The eclectic or OLI paradigm elucidates a stepwise process of internationalization of a firm as a series that must be substantially contented further to the next one. The conditions established are the following:

1. Ownership advantages (O): This refer to intangible assets, which are exclusive possesses of a respective company and could be transferred within transnational companies at subsequent low costs, leading either to reduced costs or higher incomes or. According to Gorg and Greenaway (2002), there are three types of advantages specific to ownership:

a) Monopolistic advantages in a territory in the form of privileged access to markets through ownership of natural resources: limited or sustainable, patents, trademarks, human capital.
b) Technological advantages which constitute of technology and knowledge broadly defined so as to contain all forms of innovative and related activities.

c) Advantageous economics of large size with respect to human capital, resource abundance, such as economies of learning, superior access to financial capital, economies of scale and scope, etc.

2. Location advantages (L): Hanson (2001) further classify that when the first condition is fulfilled, it becomes rather advantageous for the owner company to use them itself instead of selling or rent them to foreign firms. This leads to the answer "who" will become their host country. The location specific advantages of each country can be further divided into three categories:

a) Both quantitative and qualitative factors constitute the economic benefits related to production, market size, costs of transport, cost of infrastructure, telecommunications, etc.

b) Political advantages consisting of common and specific government policies that affect FDI flows remarkably.

c) Socio-cultural advantages that includes distance between the host and the home countries, cultural diversity, social distance, psychic distance, attitude towards strangers etc.

3. Internalization advantages (I): This kind of advantage assess different ways in which a company can exploit its powers from the sale of its produced or manufactured goods and services to various arrangements, signed between the companies. Generally, higher the cross-border market internalization, comparatively more the firm will want to engage in foreign production or establishing itself in a foreign market to connect to customers directly rather than offering this right under license, franchise, etc. via a mediator.

Though the eclectic paradigm (Dunning 1977) is the most complete explanatory paradigm on the internationalization partially prompting to new and recent trends but it has not included the new forms of foreign direct investment that have been recently developed. It only considers the old and stagnant internationalization process that were via production subsidiaries.

When an MNC seek for potential investments outside the home market, multiple reasons may motivate its entrance to a foreign market. Dunning (1973, 1980, 1998, 2008) amalgamated the internalization theory, oligopolistic theory and firm specific advantage together with location theory to formulate one of the most robust theories of FDI ever developed, corresponding to almost all the related situations as described below:

1. The purpose of **Resource-seeking FDI** is to gain access to natural resources, cheaper labor, raw material. But today the developing countries offer more reasons for MNCs to enter the emerging markets. For e.g. As of 2016, FAOSTAT, Food and Agriculture Organization of the United Nations points out that India is the world largest milk producer, surpassing Europe accounting for 18% of world global milk production (FAO 2016), because of which many MNCs relocated many of their factories in India to take advantage of cheap but also highly productive workforce. Danone, Nestle, Arla Foods, China Mengniu Dairy, Muller and many other companies have set up production plants in India to reduce costs and gain access to vast valuable resources.
2. The purpose of **Market-seeking FDI** is to satisfy a particular market or gain more market share. With an increasing population of 1.4 billion people, India has undoubtedly become the place to expand, such a large market enables sales growth at astonishing rate.
3. The purpose of **Efficiency-seeking FDI** is to move to a more efficient division of labor or specialization of an existing portfolio of foreign and domestic assets by MNCs. India offers the ability to employ workers at much cheaper rates relative to other countries. The median gross hourly wage in the Indian manufacturing sector in 2015 was INR 254.04 (Approximately USD3.5) whereas in US was USD 21.12 (Kabina 2016). India is expected to be the largest supplier of university graduates in the world by 2020 (Source: Morgan Stanley Research) and the average age of 125 billion persons will be 29 years by 2020 (Source: Economic Survey, 2014)
4. The purpose of **Strategic-asset-seeking FDI** is to protect or increase the existing ownership specific advantage of the firm by making the investment, and/or to reduce that of their competitors (Dunning, 2009). The share of the Indian services sector is 60.7% of the FDI equity inflows during 2016-17 which was about USD8684 million. This led to Private Equity investments in the hospitality industry rose nearly three-fold to USD 119 million in 2017 from USD 43.58 million in 2016. (IBEF 2018) This gives an advantage to the foreign firms that decide to locate in these specific areas, giving them incomparable access to up-to-date infrastructure, new technology and high-quality communication network.

While the OLI Theory and Paradigm absolutes quite well for explaining activities of MNCs from developed economies, that theory has limitations in fully explaining the actions of firms from emerging economies (Alvaro and Ramamurti 2014). Even the upgraded and reviewed Dunning Theory (2008) lack the study of explicit strategy, the public institution relevance on foreign direct investment flows or its lack of dynamism, outside among others.

2.1.1.5 Institutional FDI Fitness Theory

Saskia K.S. Wilhelms and Dean Witter in 1998 developed a theory that points out to the important and active role of the governments in taking economic measures and adapting their public policies in order to attract foreign investors by analyzing determinants of net foreign direct investment (FDI) inflows in emerging economies between 1978 and 1995. The theory outlines the capacity of a country for attracting FDI resides in its ability to adapt – or to fit – to the internal and external demand of economic agents. Wilhelms and Witter (1998) connected four types of pillars or institutions capable to adapt: the governments, the markets, the education system and the socio-cultural framework into a pyramid. Its theoretical framework is based on the concept of Institutional FDI Fitness, developed by the author Saskia Wilhelm 's. The econometric analysis shows government and market variables as the most significant determinants of FDI inflows. The FDI Institutional Fitness theory suggests that every nation has the opportunity to identify and expand its competitive strengths to increase its share of global foreign direct investment.

Government fitness to absorb FDI is dependent on the economic openness, a low degree of intervention on trade and exchange rates, low corruption and high transparency, while markets fitness is assumed to generate a high volume of trade, doubled by low fees and quick access to finance or energy. Therefore, the most attractive countries for FDI will be those that are more capable to quickly adjust their environment: seizing the opportunities, responding to threats, enhancing their creativity, identifying niches for surviving in face of competition. For example, Musonera et al. (2011) analyzed four East-African countries and noted that between 1995 and 2007 in the respective countries maximum FDI inflow because foreign investors were attracted by a stable environment, economic openness, the GDP growth rate, the domestic investment, the internal rate of return and the credit availability from the monetary authority (Musonera, Nyamulinda and Karuranga 2010).

Though above theories give a basic understanding of why companies invest or move across borders but cannot be comprehensively used to analyze the motivations of Russian investors for Indian market and leaves a gap for study of effects of intergovernmental political relations. As well, the product life cycle hypotheses, Hymer's theory, internalization theory, eclectic theory, etc. however, most of these are relevant to manufacturing sector. To reduce production costs, manufacturing firms may choose to establish their production platforms in foreign countries with cheap and skilled labor. However, service industry which has production as well as consumption function at the same place. To understand the motivation further, it is important to study other factors that effects investments.

2.1.2 Effects of intergovernmental political relations

In general, intergovernmental political relations between countries effect the total amount of business, trade and cooperation it does with a specific country. The development of political relations between countries usually increase the volume of countries' foreign trade with each other as well. In view of harmonic acknowledgment, country's fundamental policies toward different regions aims at reinforcing and strengthening great relations and promoting mutual comprehension with these countries while solidifying and contributing to the stability and prosperity of region by broadening cooperation and assistance for their economic and financial development.

Decent Intergovernmental political relations can not only create opportunities of trade, business and cooperation in various sectors but can contribute in overall country growth. On the other hand, less political cooperation between governments can decrease, rather diminish such opportunities though being a remarkable companion for each other.

Polins (1989) performed a seminal and a formative study in provision for his hypothesis that trade flow between countries is proportionally influenced by the quality of political relations between them. The obtained results confirm that the main factor in causing bilateral cooperation is trade. In another important study, Summary and Summary (1995) discovered that both economic and political variables affect US direct investment in developing countries. In a case study – focusing on China-Japan relations suggest that economic relations underpin and constrain political relations, while positive political developments could promote trade somewhat (Armstrong, 2010).

Though 2 years hence, Armstrong (2012), in his study analyses again performance of the trade relationship between Japan and China under conditions of political tension using the gravity model. However, the researcher came up with conclusion that political conflicts do not affect foreign trade to a significant and noticeable extent, given the other factors like lower wage rate, high labor productivity, reasonable tax rates, transport and infrastructure, size of economy and potential for growth, supply of commodities, exchange rates and clustering effects have a dominant positive effect. (Armstrong, 2012). Similarly, Knill et al. (2009) provide evidence that is contrary to the FDI literature regarding investment decisions of sovereign wealth funds (SWF). Their findings indicate that SWFs are more likely to invest in nations with whom they have relatively weak political relations, although this result is shown to be dependent on the pair of countries selected. An explanation for this somewhat surprising result could be that some FDI and trade or any kind of investment are likely to persist, or even expand, between two countries, despite deteriorating or even hostile bilateral relations, due to the likelihood of higher and abnormal economic returns (Henisz ,2010).

Political relations channel cooperation in different forms: loans, grants, technical, economic, energy, defense and military assistance via multilateral or bilateral channels. This cooperation serves both political and economic interests of both the countries participating in cooperation. Similarly, Mun et al. (2010) investigated the effect of Malaysia’s international relations on FDI inflow from Japan, United States, Singapore and Germany. Their result supports the views that international relations can play a significant role in attracting FDI. While there is wide theoretical and empirical literature on the impact of political relations on some specific dimensions of investments and economic relations of USA, there is little empirical work examining the impact with respect to India and Russia.

A study by Debordes and Vicard (2005) shed light on the importance of diplomatic relations on the location of FDI in developing countries, indicating that good diplomatic relations have a positive impact on FDI in developing countries further stimulating economic cooperation between the host country and its FDI partners, through the signature of binding international agreements.

Khan (2011) used regression techniques on data covering the period 1972-2009 to investigate the peculiar role of international political relations on Pakistan FDI inflow. The main focus of his study was on the political relations of Pakistan particularly with the United States. His findings suggest that Pakistan political relations with United States influences only economic and military aid flows but not private foreign direct investment in the long-run.

Najafi and Askari (2012) in their study explored the effect of bilateral political developments on bilateral economic relations suggests that improvement in relations with the USA had a generally positive effect on capital inflows and that a country improves its political ties with the USA, eventually, it becomes an attractive country for FDI. Similarly, Wang et al. (2012) developed a conceptual framework that theorizes for the role of government in directing emerging market enterprises to invest in specific countries, which is the good relation-country.

Çakmak and Ustaoğlu (2017), in their study examined changes in political relations between Turkey and Israel that may influence bilateral trade and investments between them. The scholars performed a timeseries analysis and concluded that trade relation and flow were sufficiently remarkable and enhanced during strengthened diplomatic relations between countries, whereas with the worsening of political relations between countries, significant decline in the volume of bilateral foreign trade was observed at some critical points which ultimately resulted in decline of investment interactions. Similarly, Ramasamy and Yeung (2016), identify the promotion of international relations with China as one of the top five policy measures that policy makers should implement to attract a portion of the Chinese FDI outflow. They argue that Chinese managers are very much concerned about the political relations between their country and the host country, because of the role the state plays in the Chinese economy, especially in promoting the outward expansion of Chinese enterprises and the engineering of selected industries at home.

Camba (2017) argues that the rise and fall of Chinese FDI in Philippines depend not only on the conflictual or cooperative relations between China and the Philippines, but also on the strength or weakness of various types of state capacity. State capacity mediates the impact of inter-state relations on the three kinds of Chinese FDI: state investments and private investments. Specifically, conflictual relations can constrain state investments. Contrariwise, cooperative relations can encourage state investments. Private investments depend on the legal-administrative and fiscal capacity of the state while illicit capital can be constrained by the host country's coercive capacity.

Gangi and Ahmed (2017) used a qualitative exploratory case method to examine the role played by international relations on attracting foreign direct investment (FDI) into Sudan, concluding that Sudan's good relations with China, India and Malaysia have contributed positively to the flow of FDI and contrarily, Sudan's bad relationship with U.S. and other western countries has contributed negatively to the FDI inflow to Sudan.

Most of the literature on FDI refers to political stability or risk and not on the intergovernmental political relations which facilitate some crucial aspect, rather relevant for FDI interaction between investing country and host country. Indian Ministry of External affairs in their 2017 annual report states "Russia has been a longstanding and time-tested partner for India. Development of India-Russia relations has been a key pillar of India's foreign policy." Scholars argue that friendly relations between countries outlaw the other external factors that affect investments and trade cooperations. However, it must be accepted that not only economic factors, but also political relations between involved into the international trade has a great influence on their bilateral foreign trade.

In a nutshell, intergovernmental political relations "may" effect decisions with respect to economic, social, technological, cultural, legal and environmental integration of organizations some-how directly or indirectly. Though there can be other factors that might bring economic advantage to a country from another country but intergovernmental political relations play a crucial role in influencing bilateral and similar trade agreements which opens up several opportunities for different organizations for business, trade and investments.

2.1.3 Effects of political environment on FDI

In addition to economic factors, investors might consider the regulatory system, corruption or political regime, the security of property rights, enforcement of law and order, transparency, predictability of government policy, the guarantee of civil liberties, and the political structure of the host country. IB scholars witness that political policies adopted by governments across the world, have significantly influenced FDI (Elkomy, Ingham and Read, 2016). It is now widely accepted that political institutions, their regulatory structures, macroeconomic policies, political rights, economic freedom, and private property rights—are critical for a nation's ability to facilitate a positive investment climate (World Bank, 2004, 2005, 2008; Kaufmann, Kraay, and Mastruzzi, 2003; De Soto, 1989, 2000). Though, this impact of political development of a country upon the level of FDI the country attracts is the area related to FDI which still lack deep investigation.

According to Narula and Dunning (2000) the correlation between intergovernment relation and FDI can be pretty tricky as the objectives of national governments and MNCs are essentially different. The main aim of MNCs are revolve around maximization of profit, essentially to increase the owners' return on their investment whereas the governments aims are to return maximum profit to its citizens (in an ideal scenario) may be by upgrading resources and efficiency. The conflict can be regarding the distribution of costs and benefits of the investment. But the final negotiations between the MNC and the government come down to the opportunity cost perceived by the MNC of the O advantages, and of the L advantages provided by the country where the MNC would like to invest, stated Narula and Dunning (2000) in their research. As per the position of MNC, they can choose different mode of entering a developing country targeting the minimum risk of entering and exit a specific market.

Getz and Volkema (2001) found that corruption has a disincentive consequence on total investment as it adds on the risk and uncertainty to the already existing economic and financial risk encountered by potential investors ultimately, discouraging investors to make or reinforce further investments in such a corresponding political risky economy. Political stability and risk generally affect specifically at the initial stage about the decision whether to invest or not in a certain location (Dunning 1993; Moosa 2002). Political risk directs political actions that can interrupts sales or cause harm to property or personnel which includes, riots, operational restrictions obstructing their abilities to undertake certain actions, and governmental takeover of property. (Daniels, et al., 2002). Comprehensively, political risk generally affects negatively to the investment decisions of MNCs in a particular country. (Dunning, 1993; Dupasquier & Osajwe 2006; Zenegnaw A.H.2010). Wheeler and Mody (1992) find that a composite index that considers a broad dimension of institutions, such as bureaucratic red tape, corruption, political instability, and the effectiveness of the legal system, does not affect the location decisions of US multinationals.

Jadhav (2012) correlates economic institutional and political determinants of FDI in the more generic and holistic way in order to explain determinates of FDI in BRICS economies, constituting trade openness, relative market size, accessible natural resources, macroeconomic stability, legal peculiarities, government regulations for environments, centralized decision body, political stability/no violence, effective and interactive government, active regulatory quality, efficient control of corruption, voice and accountability, rule of law, etc. as the potential institutional and political determinants of FDI. He concludes that FDI in BRICS economies is not resource-seeking FDI, rather motivated by the market-seeking purpose as coefficients of market size, trade openness has positive impact and natural resource availability has negative effect on total inward FDI. His research results showcase importance of traditional economic determinates on institutional and political determinants. The theorist though does not put into consideration any kind of intergovernmental relations that could affect political determinants.

Khan and Akbar (2013) in their study on impact of political risk on FDI state that political risk might arise in different circumstances such as, political instability, poor law and order, etc. The higher the political risk, the higher the probability that the investment in the host economy will decrease. Hence, political risk can be stated as a significant factor greatly affecting FDI. Conversely, government stability, socioeconomic conditions and investment profile show considerably positive relationship with FDI.

Another analysis by Vaccarini et al. (2016) used the notion of psychic distance to describe the problems like language and cultural differences, level of education and political system which could arise by entering into a new market with an example of FDI in China. He argued that perhaps firms with similar economic attributes would prefer to start operations in similar economic markets that have similarities with the domestic market and require less resource commitment initially. Mádr and Kouba (2015) state that the political environment acts on foreign investment, but the effect is not unequivocal in emerging countries. The dimension of political instability has the main impact, while the other dimensions are just some important proxies. Bhasin and Manocha (2016) state that countries actively negotiate Bilateral Investment Theories to intensify cross-border flows of investment, more the government interaction, better the investment. Relatively, Kettunen (2016) analyze the bargaining relationship between multinational companies and host country government which establishes over the policies of the host country regarding the firm's investment and is affected by institutional and economic constraints.

Bruhn et al. (2016) analyze why Firms invest abroad, examining the determinants of OFDI from developing countries. Quoting the behavior of Chinese firms, the authors state that OFDI strategies are more aggressive in cultural and geographical proximities locations, attracted by institutional quality, property rights issues and market size. Risk factors also tend to discourage Chinese' investments, especially of private firms, while most state-owned or controlled enterprises (SOE) are indifferent to the political and economic conditions. Asia and developing countries have been considered important China's OFDI destinations due to their cultural proximity. However, the analyzed studies have also identified that Chinese are attracted by weak political conditions and macroeconomic instability even if geographically distant countries. The corruption and law risk, poor institutions and political repression, were also found to encourage Chinese investments in BRICS countries. The authors identified that China's investments are significantly influenced by not only the policies of home governments but also the quality of institutions and industrial structure that reduce the necessity of prior experience. Besides that, government ownership gives major autonomy for firms, since government support has an influential role in business affairs that eases their assets constraints and enables the internationalization decisions of MNCs in developing countries. Similarly, Kurul and Yalta (2017) find that government's measures in control of corruption and its effective efficiency have significant constructive impacts on FDI inflows. Their findings indicate that reducing corruption and the excessive burden of bureaucracy, improvements in the political system, and transparency and accountability in politicians lead to an increase in FDI inflows and encourage multinationals to bring capital into a developing country.

Chinese consul-general in Kolkata (2018) stated that though it was believed that the increasing geopolitical rivalry between India and China concerning Doklam issue in 2017 will hamper business and investment prospects, but Chinese companies are growth drivers and hence blip in intergovernmental political relations do not demotivate Chinese investments in India. Though the author stated that 3-month blip across investment interaction can lead to decrease in percentage of inward FDI and Market-driven factors have a much bigger influence in the decision-making process than political hiccups because politics keep changing for Chinese investments. The author as well stated that Chinese investment follow investment destinations of US and Germany in India.

2.2 The Markets

An introduction about Indian and Russian Foreign Direct Investment and Indo-Russian relation is important as this thesis focuses on India and Russia.

2.2.1 India

India is the world’s second most populous country with current population of approximately 1.35 billion, which is equivalent to 17.74% of the total world population. (The World Factbook 2018). In 2018, the Indian economy became the world's sixth largest by nominal GDP of USD2.848 trillion and third largest by purchasing power parity with a GDP (PPP) of USD 10.385trillion (IMF 2018). Measure of economic liberalization including deregulation of industries, privatization of state-owned enterprises and further reduced controls on foreign trade and investment, began in the early 1990s and served to accelerate the country's growth, which averaged nearly 7% per year from 1997 to 2017 (The World Factbook 2018).

2.2.1.1 Overview OF Foreign Direct Investment in India

Across the years, apart from being a critical driver of economic growth, foreign direct investment (FDI) has become a major source of non-debt financial resources for the economic development of India. As the government opened the Indian market to Foreign investment in 1991, researchers found that the future growth of India was connected to FDI stating that “fears of foreign investment swamping our domestic industry or creating unemployment are unfounded or grossly exaggerated” (Singh, 2005). The report by AT Kearney (A.T. Kearney, 2017) stated India as the most attractive FDI destination because it is world’s fastest growing, competitive, productive and technology advanced economy with cheap and skilled labor. It ranked 8th on the 2017 A.T. Kearney FDI Confidence Inward Index. (A.T. Kearney, 2017).

Table 1. Data table for: Indian Inward FDI flows, Million US dollars (USD), 2007 – 2017

Data table for: FDI flows, Inward, Million US dollars (USD), 2007 – 2017											
Year	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
India	25228	43406	35581	27397	36499	23996	28153	34576	44008	44458	53255
% of GDP	2.092	3.383	2.629	1.604	2.002	1.313	1.516	1.700	2.108	1.975	3.158

Source: OECD (2017)

From the above table, it can be analyzed that the total FDI investments in India has increased over time, indicating that government's effort to improve ease of doing business and relaxation in FDI norms is yielding results (DIPP 2017). To attract more FDI, The Union Cabinet, has given its approval to a number of amendments in the FDI Policy which are intended to liberalize and rationalization of FDI procedures which provided a channel for foreign investors to bypass multiple approval processes for foreign investment activities and provide ease of doing business in the country. Determinant factors of Indian Inward FDI:

1. Policy Framework of FDI in India: Government policies like liberalized industrial policy, liberal trade policy, foreign exchange policy, exchange rate regime, intellectual property regime, tax policy of government, etc. are a possible rather attractive determinant of FDI since the government considers FDI flows as means to fight its own economic and socio-cultural problems like unemployment, illiteracy, unskilled labor. Foreign investments in different sectors which are not a country's competencies enhance national growth rate of a respective country (Lokesha and Leelavathy 2012). The most effective initiative take by India government has been "Make in India" which was launched in the December 2014, a policy initiative that aims at promoting India as an important investment hub and a global destination for manufacturing design and innovation in the country borders itself, to invite both domestic and foreign investors to invest manufacturing and producing in India, under which various policies regarding doing business in India were eased.
2. Market Size & GDP: Large markets can accommodate more firms, both domestic and foreign, and can help producing tradable products to achieve scale and scope. (RBI 2018)

As growth is a magnet for firms, a high growth rate in host country tends to stimulate investment by both domestic and foreign producers which are as well influenced by, income levels, urbanization, stability and growth prospects, access to regional markets, distribution and demand patterns (Streak and Dinkelman, 2000).

3. India's Increasing foreign exchange reserve implies improved financial health which induced FDI over the years. It shows her growing strength of external payment position.
4. Availability of low cost infrastructure enables the host country to attract more FDI.
5. India has low labor cost, infact one of the world's lowest. For e.g. The average manufacturing labor cost in India in 2014 was just USD0.92 per hour, as opposed to US3.52 per hour in China. (Zhu 2016) Wages in India averaged USD0.49 per hour from 1965 until 2014. (Kayalvizhi and Thenmozhi, 2018)
6. India has been ranked at 7th on the largest economy by GDP (nominal) with USD2621458 million at the peak level of GDP in 2018 (IMF, 2018).
7. Economic Stability and Political Factors: Political stability and freedom from external aggression, security of life and property, reasonable opportunities for earning profits, prompt payment of faired and transferable compensation in case of nationalization of a foreign owned enterprise, facilities for immigration and employment of foreign personnel, freedom from double taxation, a general spirit of friendliness toward, foreign investors (Zheng, 2013).

2.2.2 Russia

Russia is the world's largest nation, borders European and Asian countries as well as the Pacific and Arctic oceans with 144.3 million (World Bank 2016) and 1.283 trillion USD (2016) which represents 2.07 percent of the world economy. In general overview, Russia has an upper-middle income, mixed economy with state ownership in strategic areas of the economy. The market and social reforms and breakdown of Soviet Union in the 1990s transformed Russian economy completely, privatizing most of the state-owned industries and agriculture, though government took a percentage of company stakes except sectors where state ownership is hundred percent energy, military and defense-related sectors. Though the country is an emerging market, many banks and organizations consider Russia as a highly volatile emerging economy in transition as the economy is undergoing structural transformations, economic liberalization, privatization of state-owned enterprises and resources and creation of a financial sector to facilitate macroeconomic stabilization and the movement of private capital with respect to legal and institutional reforms.

2.2.2.1 Overview OF Foreign Direct Investment from Russia

Since the annexation of Crimea, the inflow and outflow of investments in Russia and from Russia, slowed down. According to 2017 EY annual report (Ernst & Young, 2017), developments and variations that occurred in the year 2014 have greatly affected the overall Russian investment climate, along with motivations and sentiments of foreign investors, currently functioning in the country.

The biggest blow was dealt by the introduction of sanctions against Russia by Europe and the US multiplied with a plunge in oil prices that further worsened the country's macroeconomic environment and spurred inflation, ultimately deteriorated the national currency, gave limited or n access to certain industries to world debt financing and hiked interest rates. All this led to partial or complete restrictions on foreign trade with Russia, further complicating life of various industries (Ernst & Young 2017).

Figure 4. Net Flow of Russian Foreign Direct Investment

Source: OECD (2017)

The above graph shows the variation in Russian FDI since Crimea annexation and EU sanctions on Russia, falling to more than 57.8% in the year 2015 tumbling from world's 6th largest OFDI country in 2014 to 26th in 2016, (UNCTAD 2016). The Russian economy relies primarily on energy sources, making it the most important sector. Most of the state-owned Russian multinationals are oil and gas companies. Furthermore, these companies are the most important energy suppliers for the greatest part of the European continent. This creates an economic interdependence: most European countries' economies are dependent on Russian energy supplies. Russian firms have predominantly engaged in resource seeking FDI projects in pursuit of raw materials and access to strategic commodities.

The Russian companies that majorly invest abroad belong to industries like oil and gas, power generation and distribution, forestry and agriculture, metals and mining, large construction and manufacturing and nuclear and related technologies. Cyprus, Netherlands and British Island have been popular tax havens for Russian wealth since a surge in capital flight began in the 2000s. Determinant factors of Russian outward are following:

a. Raise capital or find a location for a personal 'bank': It is more convenient for Russian corporations to execute their financial operations abroad when they can retain their finances partially in a foreign land, which sometimes may also be used as a collateral to get foreign loans, i.e. raising capital.
b. Market entry and expansion: Without opting for a mode that move them closer and connect directly to the final consumer. Russian state-owned or partially state-owned banking companies have followed expansion via opening of representative office and subsidiaries in their internationalization process to get closer to their existing customers.
c. Risk aversion: The perceived risk of political environment in Russia drives the actions of some Russian private firms to preserve their assets abroad instead of their home market.
d. Acquisition of advanced western technology: Russian knowledge-intensive firms have heavily invested abroad in mutual corporations to acquire advanced and innovative foreign technology.
e. Necessity driven by increasing global competition: Total Russian economic market has a presence of less than 3% of the global economy, hence several Russian companies in order to survive and mark their global presence, expanded abroad, i.e. the constraints of the domestic market and attractiveness of international platform push a firm to internationalize.

2.3 Motivations of Indian and Russian FDI

Scholars have mostly found that the relations between India and Russia are rooted in history, mutual trust and mutually beneficial cooperation (Balangeshwar 2003). Traditionally, the Indo-Russian strategic partnership has been built on six major components: politics, defense, civil nuclear energy, anti-terrorism co-operation, space and technology (Pant, 2017). Both the countries invested USD 500 billion in 2017 to make a mutual Investment Fund consortium in order to expand bilateral economic cooperation. The partnership is set up to develop infrastructure to facilitate access to long-term capital in Russia and India, and to actively promote mutual investments between the two countries. Both the governments signed "The Declaration of the Strategic Partnership" in the year 2010 and then again in year 2014 and year 2017 to elevate the strategic partnership between India and Russia to further advanced and innovative level in the arenas of bilateral and international grounds, focusing on long-term and all-round development of international relations to counter comprehensive challenges and global threats while endorsing strategic stability (Talukdar, 2014).

The foundation of strategic partnership between India and Russia has been so strong that it is difficult to analyze the factors that prompted it. Both the countries signed Intergovernmental Partnership for Cooperation in various sectors like defense, military, nuclear, infrastructure, culture, education, research and development primarily in the year 2000 then again in the year 2008, followed by in 2010, 2014 and latest in the year 2017. The study of the drivers of the Indo- Russian business partnership is humongous but an analysis can be developed through the lens of Foreign Direct Investment.

Table 2. FDI Inflows in India from Russia (USD Billion)

	2009	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
Russian OFDI to India	1884	2597	986	1838	-537	59	38	107	122
Total Russian OFDI	298357	361121	361750	409567	479501	411270	367593	418034	455410
%	**0.631**	**0.72**	**0.27**	**0.45**	**-0.12**	**0.014**	**0.011**	**0.029**	**0.031**

Source: Adapted from Central Bank of Russia (2017)

Unfortunately, India is not the first choice of Russian investors as the determinants for investing into India are influenced by the fact that different home countries possess different characteristics and attributes and FDI from a particular home country should be driven by specific motivations (Nachum and Zaheer 2005). Indian inward FDI patterns vary over time in line with its economic trans formation including changed economic structure and FDI policies (IMF 2018) . The organization behavior of Mauritius, Singapore and Japan is much closer and related to organization behavior of India and hence doing business aspects within trade and cooperation is pretty close. Whereas, motivation of Russian firms has been principally to engage in FDI projects to seek resources in the quest of access to economic raw materials and similar strategic commodities. The role of government has been large and growing in Russia since 1999. SOEs account for 26 percent of all foreign assets held. Russia has demonstrated a preference to buy assets in developed countries mainly in USA and western Europe (Sauvant, Maschek, McAllister, 2009).

Buckley et al. (2007), Beule and Bulcke, (2012) and Kolstad and Wiig (2009) suggests that natural resources potential of the host countries plays a substantial positive role in attracting Russian OFDI. But Russian and Indian firms accord high importance to host country market size. Hanson (2013) states that foreign policy significantly affects the host-country pattern of Russia's outward foreign direct investment (OFDI) and that domestic institutions significantly impact the host-country pattern of Russia's OFDI and the sectoral pattern of its inward foreign direct investment (IFDI).

Tepavcevic (2013) analyzed the outward FDI trends of Russian firms and demonstrated that although business and economic benefits serve as the most crucial driver for Russian outward foreign direct investments and are usually a mixture outcome of individual profit-seeking interests of Russian private companies’ owners and administrators from Russian state-owned companies, where the goal of the latter is usually depicted as national interest of the whole country. The results depict that the cooperation between Russian state institutions and Russian companies abroad hinge on on a combination of various economic factors which are the four characteristics of a host market-size, sophistication, regulations of foreign direct investments, and competition by other foreign investors and certain socio-cultural factors- host country reactions to Russian based and motivated investments.

Anwar and Mughal (2014) noticed that Russian firms do not appear to give importance to rule of law, governance or level of corruption in the host economy and seeking access to host country's natural resources and technology acquisition also appear to be important motives, while efficiency does not appear to be Russian firms' foremost priority at the moment. The authors studied the OLI efficiencies and found that raising share in foreign markets is an important objective of Russian firms i.e. market-seeking is the main motive behind Russian OFDI, followed by seeking access to host country's natural resources and technology acquisition. Political instability at host country however does not seem to play a significant role, being born during political instability at home, marred by corruption and arbitrariness companies invest in the similar environment. Hence, Russian companies do not seem to take host levels of corruption into account while making their investment decisions

Chakrabarti and Ghosh (2014) investigate the nature and trend of foreign direct investments made by Asian countries in Africa, over the past decade. With consistent and robust FDI flows to developing economies more than flows to developed countries, evolution of African and Asian investment interaction is inevitable. The authors conclude that state-oriented South-Asian government investments are driven by the prime motive to strengthen Sino and Indian respective engagement clout in international political order. Krishnakumar, Sethi and Chidambaram (2014) analyzed cross border acquisitions between the time frame from the year 2002 to 2010 among Indian and African economy. The authors in their comparative data analysis research noted that only 6% of the total Indian deals are engaged with Africa, 18% are directed towards other Asian firms, 37% directed towards Europe and 31% towards North America respectively. For e.g. Indian firms favored destination for FDI that have performed well on indicators of economic potential, infrastructure and business friendliness in Africa in Drugs and Pharmaceuticals sector mainly due to economic attractiveness of Africa. Other Indian industries that expanded in Africa were looking for a possible alliance for their growth strategy, consolidation and diversification, leveraging footprint and intellectual capacity; and convergence and operational evolution. In a nutshell, were seeking "large and expanding domestic markets to leverage competencies honed in Asia and acquired through prior offshore activities". Nevskaya (2015) study the Russian-Estonian economic and investment cooperation and established that political motives are still important for Estonia's investment decision making and are followed only by Russian mutually beneficial investments to

Estonia and Estonians rather than the exodus of capital accompanied by the transfer of production and infrastructure facilities abroad.

Fey, et al. (2016) investigate the internationalization of firms from China, India, and Russia concluding that they internationalize for different reasons using different entry mode ordering and by initially entering different countries than would their western counterparts. The authors develop "Five M framework" to understand the internationalization of firms from developing economies.

a. **Motivations**: Why do firms want to expand abroad?
b. **Modes**: What entry modes do firms adopt?
c. **Markets**: What type of markets have done firms go to and which ones are most favorable?
d. **Management**: What management practices facilitate effective internationalization?
e. **Methods**: What strategies help firms internationalize further and gain profits?

They studied Russian, Indian and Chinese firms' trends in their research and concluded that firms from these countries majorly internationalize to obtain technology, to acquire well-known brands, to diversify risk, to get larger market and to obtain needed raw materials. They usually follow incremental internationalization, in a rather step-wise fashion to increase their commitments to foreign markets as they gradually acquire, integrate, and are able to use knowledge about foreign markets. Hence, acquiring foreign manufacturing operations becomes more productive than starting greenfield operations due to constraint of time which was considered to be the odyssey essence opting joint or global operations in the host countries.

Kayalvizhi and Thenmozhi (2017) examines how technology, culture and corporate governance drive inward Indian and Chinese FDI from Korean and Japanese market where technology is the major attractive factor influencing inward FDI as it varies directly with technology absorption and innovation capacity. Other factors like quality of country governance influencing corporate, cultural dimensions such as individualism, masculinity and uncertainty avoidance exhibiting weaker influence on inward FDI, while power distance and indulgence having stronger influence. They conclude that interaction effect of country governance highlights better governance of a country with respect to the impact of technology, innovation, corporate governance and culture in attracting increased inward FDI.

2.3 Research gap

Many renowned theorists proposed various theories like Vernon (1966), international market entry framework by Couturier and Sola (2017), internationalization theory by Johanson and Vahlne (1977), etc., but these theories only analyze and focus on the peculiarities of their economic aspect and motivation of Foreign Direct Investment. Hundreds of theorists have established a vast amount of empirical literature to understand the concept of FDI as whole and its determinants, but the results on these empirical evidences are diverse and arguable as are highly dependent on the choice of country, time-periods, business frames and applied methodology.

There are different studies focused on several aspects and effects of intergovernment political relation. Different researchers, for example, Polins (1989) who focused on quality of political relations, Summary and Summary (1995) who studied political variables that affect US investment, Mun et al. (2010) who studied Malaysian inward FDI influenced by political relations with India, US and China, Najafi and Askari (2012) who studied US outward FDI, Çakmak and Ustaoğlu (2017) focused on Turkey and Israel political dilemma with bilateral trades, Camba (2017) stated Chinese and Philippines' investment and political relations and Gangi and Ahmed (2017) who focused on Sudan inward FDI from India. These researchers support the positive effect of intergovernment relations on FDI flow from one country to another stating companies are motivated to invest in a friendly economic and political environment country which share high level of intergovernment interaction. Whereas, researchers like Debordes and Vicard (2005), Armstrong (2012), Khan (2011), Knill (2009) and Henisz (2010) found no significant effect of government political bilateral relation in developing countries on direct or indirect investment due to several other personal motivation aspects of the companies to invest. The literature by above scholars is intensely arguable and leave a significant prospect to understand the behavior and motivation of Russian firms to invest in a destination like India. The majority of studies dealing quantitatively with the determinants of foreign direct investment concentrate on economic factors, political influences like political stability or risk and not on the intergovernmental political relations which facilitate some crucial aspect, rather relevant for FDI interaction between investing country and host country. These government relation aspects are either completely disregarded or are treated as an unimportant side factor. These 'economic' studies do not provide a coherent picture; it appears that each author introduces those determinants into his/her regression equations which he or she finds personally appealing. instead of taking into account their joint and simultaneous effect. Past research on this topic has been dominated by study of investments done by US, Japan, Chinese and India; and when foreign direct investment of Russia was studied, in recent years, the investment peculiarities were studied under economic portfolio. Individual FDI interaction of Russia and India hasn’t been analyzed much nonetheless the intergovernment political relations that effected Russian investments In Indian market.

It is pretty interesting that no countries have this kind of strong and robust intergovernment political relation equivalent to that of Indian and Russian. Indian Ministry of External affairs in their 2017 annual report states “Russia has been a longstanding and time-tested partner for India. The development of strong and bilateral India-Russia relationship has been one of the most crucial strategy of India's foreign policy. Scholars argue that friendly relations between countries outlaw the other external factors that affect investments and trade cooperations. Hence, it must be accepted that not only economic factors, but also political relations between involved into the international trade has a great influence on their bilateral foreign trade. However, there is a limited number of researches focused at study of this “strategic and privileged partnership” government interaction effect on investment, trade and cooperation between the countries, which serves as a crucial aspect, influencing investment motivations. Aspects of motivation of Russian investments with respect to India has insufficient information. Therefore, this issue is considered as a research gap.

The purpose of this research is to study the effects of such intergovernment political relation on investment interaction. The research is based on study of Indian and Russian FDI trends and expert opinion.

The research questions of this study are as following:

1) What is the effect of intergovernment political relations between India and Russia on Russian investment done in India?

2) Why/why not does the intergovernment political relations between India and Russia effect/do not effect on Russian investment done in India?

To answer the main research question, an understanding of what the main motivations and investment decisions for Russian MNCs are to invest in Indian markets is needed. Hence, formulation of third question for the research is the following:

3) What are the main motivations and investment decisions of Russian MNCs to invest in India?

The objective of this study is to complement the existing literature in two ways:

A) To the best of our knowledge, there is a need of further systematic research study on identifying the foremost determinants of Indian inward FDI flow.

B) There is a limited research with respect to intergovernment political relation that effect FDI. Therefore, this study aims to understand in a more holistic background, the role of political relations, political factors, etc. as potential determinants of Russian FDI in India.

The result of this study is to understand the effect of intergovernment political relations between India and Russia on Russian investment done in India that shall help in understanding trends in the strategic thinking of Russia firms that have entered Indian markets that could potentially benefit current and future entrants into those markets, as well as Russian, Indian and Indo-Russian organizations that are linked to international trade. An attempt to determine FDI behavior will be informative, not only for associates of Russian firms, but also to the governments and policymakers in Asian countries that wish to attract more investments from Russia.

The study not only leads to a conclusion that the subject needs further exploration. This study can contribute to research on similar economies' studies in the international business world by focusing on firms from Russia. As foreign investment continues to grow in the global market, the method of this study could possibly be useful for examining FDI behavior of Russian firms in other parts of the world, such as in South East Asia, Africa and Europe through the lens of intergovernmental political relations.

Chapter 3. RESEARCH METHODOLOGY

In this chapter, research design, area of study, the questionnaire, method of data analysis and the sample characteristics are reviewed.

3.1 Overview of Methods of Research

According to the theorist, Rajasekar et al. (2013), research methodology is a process of systematic path followed to solve a research problem which includes a range of research methods and techniques used during the study to answer the research questions and the logic that lies behind their choice. A huge variety or research methods and techniques are present that can be used during researches to conclude a study. Two research methods were used during the current research study to answer the research questions: secondary data analysis and interviews.

In this chapter, an overview is provided of the data collection, and of the characteristics of the firms which received the questionnaire. Various firms proposed to remain anonymous about investments hence the author propose to respect their choices. As investment data about Russian companies except the state-owned wasn't available, the filtered companies were contacted initially via Indian Business Forum in Moscow.

3.2 Comparative Analysis of FDI: Secondary Data

To answer the first research question (What is the role of intergovernment political relations between India and Russia on Russian investment done in India?) data analysis from existing secondary sources published by Ministry of External Affairs, Government of India, Reserve Bank of India, Central bank of Russia and UNCTAD was conducted. Comparative analysis, also described as comparison analysis, is used to measure the financial relationships between variables over two or more reporting periods (Pickvance, 2005). This method is usually used for qualitative analysis for identifying general information from the existing sources (Kothari, 2004). Foreign Direct Investment trend of Russia to India and total Indian inward FDI was reviewed. The FDI trend was compared with the volume of intergovernment interactions between India and Russia and India and other countries. Volume of government interaction is measure with respect to umber of treaties or MoUs or agreements signed by India with a respective country. For this data, it is assumed that more the number of treaties/agreements/MoUs signed between two countries, more intense and strong the intergovernment political relations are.

To understand the significance of effect of intergovernment relations that influence FDI interaction a percentage comparison is done based on the gathered information. The analysis of FDI in India and FDI from Russia gives an understanding of trends and their relation with intergovernment political relation between India and Russia. The variation in Russian outward FDI and Indian inward FDI are correlated with the volume of government cooperations signed in the form of agreements, treaties and memorandum of understandings (MoUs).

3.2.1 Characteristics of Indian FDI: Data Analysis and Description

According to the world factbook, development of Indian economy to an open-market economy in terms of economic liberalization, including industrial deregulation, privatization of state-owned enterprises and reduced controls on foreign trade and investment began in the early 1990s which accelerated the country's growth, averaging nearly 7% per year from 1997 to 2017 (The World Factbook 2018). Indian government's transformation of its foreign policy to a favorable policy regime and robust business environment made sure that foreign capital constantly keeps flowing into the country territory. The government across the years have taken many initiatives, such as relaxing of the FDI norms across sectors such as defense and military, telecom, oil refineries under public sector undertaking, power exchanges and stock exchanges, among others. Reports from UNCTAD (2017) and Reserve Bank of India (Annual Report 2016-17) were compiled in the below table to understand the Indian IFDI with respect to geographical locations (RBI 2017):

Table 3. Data table for: Indian FDI flows, Inward, Million US dollars(USD), 2007 – 2017

Data table for: FDI flows, Inward, Million US dollars (USD), 2007 – 2017											
Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
India	25228	43406	35581	27397	36499	23996	28153	34576	44008	44458	53255

Source: Adapted from UNCTAD (2017)

The above data from Table 3 shall be used to compare with Russian Outward FDI percentage that flow in India across the years.

Table 4 Indian IFDI with respect to geographical locations (Financial years): (USD in Million)

Ranks	**Country**	**2015-16**	**2016-17**	**2017-18**	**%age to total Inflows in 2017**	**Cumulative Inflows (Apr' 2000- Dec' 2017)**
1.	Mauritius	8355	15728	13348	34	124986
2.	Singapore	13692	8711	9213	17	63803
3.	Japan	2614	4709	1263	7	26938
4.	UK	898	1483	720	7	25311
5.	Netherlands	2643	3367	2383	6	23065
6.	USA	4192	2379	1744	6	22067
7.	Germany	986	1069	1012	3	10710
8.	Cyprus	508	604	332	3	9488
9.	France	598	614	457	2	6182
10.	UAE	985	675	628	1	5332

Source: Adapted from Reserve Bank of India Annual Report (2018)

The data from the Table 4 gives a useful information about investment interaction between India and other countries which can be analyzed that the highest investment in India came from Mauritius which has signed the "Tax Treaty" with India in the year 1999 and hence, has the maximum cumulative inflow since the year 2000. The intergovernment political relations impacted positively in the case of India-Mauritius, Indo-Singapore and Indo-Japan cases. The factors of gravity model of trade played they key role as well, these countries being closer with respect as per the psychic distance.

Secondary data from the 2018 annual report of Ministry of External Affairs, Government of India was compiled to study the number of government interactions initiated by India in the form of agreements, treaties and MOUs to advance and enhance the intergovernmental political relation with a respective country. Indian inward FDI and the volume of government interaction with respect to formal informal meetings, sign of treaties, MoUs and agreements are two variables compared.

The comparative variable used with FDI is the volume of government interaction which is measure as the number of treaties or MoUs or agreements signed with a respective country. These number of signed agreements/treaties and MoUs are calculated as the volume of government interaction. It is assumed, more such bilateral cooperation is, more intense or effective intergovernment is the political cooperation. The below table compile the number of cooperative agreements, MoUs and treaties signed against respective years.

Table 5.Volume of cooperation done by India with different countries

	2007	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
Total cooperation done by India with different countries	86	91	56	98	103	112	119	151	263	214	208

Source: Adapted from Ministry of External Affairs Annual Report (2016-17)

The data from above Table 5 shall be compiled with respect to inward FDI and intergovernment interaction in the following chapter of research findings.

3.2.2 Characteristics of Russian FDI: Data Analysis and Description

The Table 6 below showcase that India and Russia are not the first choice of Russian investors or Indian investors. It has been observed that countries like Cyprus, Netherlands and British Island have been popular tax havens for Russian wealth since a surge in capital flight began in the 2000s and hence are the most attractive FDI destination for Russians. Reports from UNCTAD (2017) and Central Bank of Russia (2016-17) were compiled in the below table to understand the Russian OFDI with respect to geographical locations (CBR 2017).

Table 6. Data table for: Russian FDI flows, Outward, Million US dollars (USD), 2007 – 2017

Data table for: FDI flows, Outward, Million US dollars (USD), 2007 – 2017											
Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Russia	43849	56735	34450	41116	48635	28423	70685	64203	27090	26951	36032

Source: Adapted from UNCTAD (2017)

The data from Table 6 is compared with Indian Inward FDI percentage that flow from Russia across the years.

Table 7. Russian OFDI with respect to geographical locations

Ranks	**Country of direct investment**	**Outward Russian FDI in 2017 (in terms of USD)**	**%age to total Outflows in 2017**
1.	Cyprus	181,400	39.8
2.	Netherlands	59,103	13
3.	Virgin Islands, British	39,556	8.7
4.	Austria	23,823	5.2
5.	Switzerland	21,546	4.7
6.	Luxembourg	14,129	3.1
7.	United Kingdom	9,323	2.1
8.	Turkey	9,269	2
9.	Germany	8,496	1.9
10.	United States	7,613	1.7
	Total Russian FDI	**455,410**	

Source: Adapted from Central Bank of Russia Annual Report (2018)

Russian companies in oil and gas, metals and mining, power generation and distribution, forestry and agriculture, manufacturing and large constructions and nuclear technology industries majorly invest abroad. As per CBR (2017), Russian Outward Foreign Direct Investment out of total

USD 455410 million, highest was in Cyprus of USD181400 million; USD59103 million to Netherlands and USD 39556 to British Virgin Islands, to China USD 247 million (52nd Rank) and to India USD122 million (64th Rank). Russian OFDI to Cyprus is approximately 39.8% of total Russian OFDI.

Table 8. Volume of cooperation done by India with Russia

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Cooperation signed by India and Russia	19	18	11	39	17	19	23	29	43	55	22

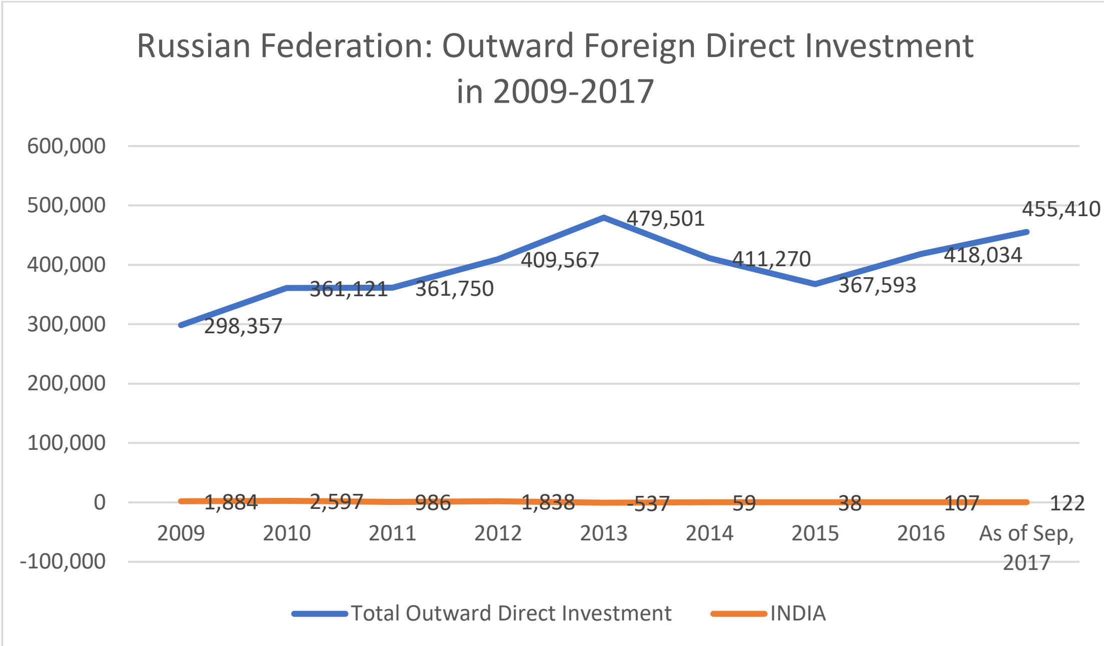
Source: Adapted from Ministry of External Affairs Annual Report (2016-17)

The data from Table 8 shall be compiled with respect to inward FDI and intergovernment interaction between India and Russia in the following chapter of Research Findings.

3.2.3 Characteristics of Russian FDI to India: Data Analysis and Description

The modernization of Indian investment regulation has had a huge and beneficial impact on the Indo-Russian investment cooperation. In 2012, the total volume of Russia-India investment projects in sectors under energy, oil and gas, metallurgy, aerospace, skill-development, pharmaceuticals, petrochemicals and telecommunications amounted to about USD537 million. Despite the size of India’s economy, the country’s share in trade with Russia is insignificant. Accordingly, the share of trade between both the countries does not exceed 1%. Analytically, the outline structure of Russia's trade with India as a whole has not altered and modernized over a decade. According to Confederation of Indian Industry, Russian exports to India amounted to USD6.9 billion, while Indian imports to Russia were a little over USD3 billion in the year 2013 (DIPP, 2017). Secondary data from 2017 annual reports of Central Bank of Russia was compiled below to get the insight of Russian Outward FDI to India.

Figure 5. FDI Inflows in India from Russia (USD Billion)



Source: Adapted from (UNCTAD 2017)

From the above figure, it can be analyzed that the Russian Federation: Outward Foreign Direct Investment to India from 2000 to 2017 cumulatively was USD1235.48 million which was 0.34% of total Indian cumulative FDI inflow between 2000 to 2017. The volume of Indo-Russian cross border deals from Russia in India grew abruptly in 2017 due to increased number of large deals among various enterprises, including acquisition of 49% stake in Essar Oil by Rosneftegaz of Russia. In 2017, Russia's energy giant Rosneft and its other partners completed the USD12.9 Billion acquisition of Essar Oil, making it the biggest ever FDI investment done in India as well as ever done by Russian Federation.

3.3 The Questionnaire and an individual in-depth interview

To answer the second research question (Why/why not does the intergovernment political relations between India and Russia effect/do not effect on Russian investment done in India?) and the third research question (What are the main motivations and investment decisions of Russian MNCs to invest in India?), primary data was collected by conducting in-depth interviews. This method of in-depth data collection is used to gather relevant and reliable data which is a “conversation between people in which one person has the role of the researcher” (Arksey and Knight 1999, cited: 2). As the literature review leaves a chance of arguable effect, it becomes important to understand the niche aspect of motivation of Russian investors as intergovernment political relations create friendly political environment whose aspects can be a motivation to investment.

3.3.1 Research Sample

Total 34 potential respondents were gathered from the internet for the interview which contained 24 companies and 10 government officials (Indian and Russian).

A list of 24 companies were gathered from the internet, who have been engaged in investments or businesses or done bilateral trade at Indian soil. Out of which 12 Russian companies were associated/collaborate/participate or do investments under coordination of functioning body of India Russia Intergovernmental Commission (IRIGC) and the other 12 Russian companies who independently invest or do business in India. The sample was then filtered with respect to companies who entered Indian market after 2000 (as the IRIGC was established in the year 2000), which left the final sample of twenty-one companies. Out of the twenty-one respondents, three responses weren’t useful as the representative had Indian roots (related to India, somehow either married to an Indian or born in India and this sample had emotional connect to India). Though out of the final eighteen Russian companies, one company exited Indian market in 2017 but it shall be pretty interesting to understand the effect of intergovernment political relation on its decision and motivation to invest/exit and to balance the sample.

To get the insight from government official, the individual in-depth interview was conducted in March 2018 via telephone and in person with Mr S. Inbasekar Head of the Economic and Commercial Wing (Embassy of India in Moscow), Mr. Shageev Rafael Marsovich: The president, Union "Central-Siberian Chamber of Commerce and Industry", Ms. Nina R. Borisov, Representative, the Indo-Russian Government Commission on Development of SME in Moscow and Mr. Sammy Kotwani, Head of Indian Business Forum in Russia. Though interview request was sent out to 10 people, selected on the basis of their position and who are related to Indo-Russian Organizations bilaterally. But only 4 replied and agreed to conduct the interview.

Two respondents are associated and participate with India Russia Inter-Governmental Commission (IRIGC) annually and two who do not. Respondents associated with functioning body of IRIGC:

- Ms. Nina R. Borisov, Representative, the Indo-Russian Government Commission on Development of SME in Moscow
- Mr S. Inbasekar Head of the Economic and Commercial Wing (Embassy of India in Moscow)

Respondents who are not associated with functioning body of IRIGC but are representative of Russian or Indian Business Organizations:

- Mr. Shageev Rafael Marsovich: The president, Union "Central-Siberian Chamber of Commerce and Industry
- Mr. Sammy Kotwani, Head of Indian Business Forum in Russia

In total, the sample consists of 22 interviews, 11 respondents associated/collaborated with India Russia Inter-Governmental Commission (IRIGC) and 11 respondents who aren't. The interview was semi-structured with questions about Indian market, intergovernment political relation between India and Russia and Russian MNCs that have done business in India. Two types of questions were used during the interviews: open-ended and multiple-choice questions. In this research such questions were used to identify aspects of played by intergovernment political relations while investing in India. As the number of responses is less than 40, no computer-based analytical tools can be used for analyzing the results, therefore, focused traditional method of calculation is incorporated for research findings.

The organizations were approached in an initial contact, via personal meeting, telephone or WhatsApp, for identification of the representative who might answer the questionnaire. Subsequently the layout of the questionnaire was messaged or emailed to the designated person, who were then requested to email the questionnaire back to the author upon completion. The return rate of the respondents was 73.5% but with the filtered data as only eighteen out of twenty-four is relatable and useful, yielding a return rate of 64.7% only.

Due to lack of available data or list of companies on Indian as well as Russian forums, and unwillingness of companies to share insight about peculiarities of investment and intergovernmental political relations, hence the author compiled a list of relevant companies by conducting internet research (such as firms' websites, Russia Beyond, rbth, newspaper datasheet, etc.) as well as with initial contact interview of the Head of Indian Business Forum, the construction and filtration of final list was done. Thus, the basis of the sample is on collected data of twenty-two Russian responses from several industries that entered India in or after 2000.

3.3.2 Interview Structure

Based on the literature review, a list of 14 questions was created. The aim of the interview was to identify the effect of intergovernment political relations on Russian investment in India and create understanding of trend and motivation of Russian companies who invest in India. The questions are based on different characteristics. Also, there are some questions aimed at identification of the reason of selection of India as the potential destination of investment. Though the format of the questions were molded differently but the scope and context of the question remained same for both government official and Russian companies. 8 questions were concerned with intergovernment political relations and 6 with Russian organizations' motivation and behavior. The interview was semi structured while most common and compulsory questions to the companies and government officials are mentioned below:

Table 9. Structure of the interview questionnaire

Format of question for Companies	**Format of questions for Questions for government officials**
1. Why did the company expand in the foreign market?	1. Why do Russian companies expand in the foreign market?
2. What was your motivation to invest in India?	2. Why Russian companies are opting to invest in India?

3. What is/are the most important aspect of investing/ doing business in India?	3. What is/are the most important aspect of investing/ doing business in India?
4. On the scale 1 to 5, with 5 being the highest, how efficient are intergovernmental political relation between India and Russia?	4. On the scale 1 to 5, with 5 being the highest, how efficient are intergovernmental political relation between India and Russia?
5. On the scale 1 to 5, with 5 being the highest, how did the intergovernment political relation between India and Russia effect your investment decision?	5. On the scale 1 to 5, with 5 being the highest, how does the intergovernment political relation between India and Russia effect Russian investment decision in India?
6. On the scale 1 to 5, with 5 being the highest, how did the intergovernment political activities and interaction impact your economic growth? Which ones? At what stage?	6. On the scale 1 to 5, with 5 being the highest, how does the intergovernment political activities and interaction impact Russian companies' economic growth? Which ones? At what stage?
7. On the scale of 1 to 5 how much does your investment goals and intergovernment political relation goals coincide? Please explain.	7. On the scale of 1 to 5 how much does Russian companies' investment goals and intergovernment political relation goals between India and Russia coincide? Please explain.
8. Does the increase in intergovernment political relation effect your investment decision between India and Russia?	8. Does the increase in intergovernment political relation effect investment decision between India and Russia?
9. What was your entry mode and why you chose that type of entry mode?	-Not Applicable-
10. Did you enter Indian market with government's support or independently?	-Not Applicable-
11. What was the motive of seeking a local partner (if chose the entry mode with local partner)	9. Why do Russian companies seek a local partner (if applicable)

12. What was the major problem(s) encountered by the company while investing in India?	10. What is the major problem encountered by Russian companies while investing in India?
13. On the scale of 1 to 5, how much participation with intergovernment cooperation have or would have eliminated or delimited the problem?	11. On the scale of 1 to 5, how much participation with intergovernment cooperation have or would have eliminated or delimited the problem?
14. How does the company foresee its future development and plans regarding its operations in India? Is consideration being given to investing further, holding the position or withdrawing from the market?	12. How do you foresee the future of Indo-Russian Cooperation with respect to Investment?

Source (Author´s questionnaire, 2018-05)

3.3.3 Data Description

The sample of company respondents that were interviewed consist of 9 companies not associated/collaborate or participated under India Russia Inter-Governmental Commission (IRIGC) cooperation. All the names of the companies are not disclosed by the wishes of the respondents, so in this study they are named Company A – I.

Company A is a small and medium size private enterprise with less than 50 employees in Moscow. It is an Information Technology and Service industry-based company founded in 1997 which provide employment solutions. It expanded its Indian operation in 2013 as a joint venture.

Company B is a subsidiary of another private Russian company who specializes in the development and implementation of software solutions for the management and optimization of supply chains in the production, retail and distribution sectors. The company was found in 2004 in Russia and started expanded in India in 2013. It is a small and medium size enterprise with less than 100 employees in Moscow. It is an Information Technology and Service industry-based company founded in 1997 which provide employment solutions. It expanded its Indian operation in 2013 as a joint venture. It is based in service industry as well.

Company C is computing and solution provider private Russian MNC with its presence in 100+ countries and less than 100 employees. The company was founded in 2010 and collaborated with an existing Indo-Russian Joint Venture in 2014. It has more than 80 distribution channels across the world.

Company D is a global location technology provider service based private MNC, found in 2008 in Moscow. The company has expertise in the development of a worldwide hybrid situating and positioning system which consolidates different network of system conditional environment approaches. It is highly information technology specialized company with operations in Russia, CIS, Europe, UK, South America and India with approximately 200 employees. It entered Indian market in 2013 as a joint Venture with an Indian Startup.

Company E is a private Russian Limited Liability Company (LLC) intellectual system service provider for personal financial management inside mobile and e-banks. It is a small and medium based enterprise with less than 50 employees. It was found in 2007 in Moscow and started its Indian business in 2014 as a joint venture in Indian state of Karnataka.

Company F is a global technology provider in video analytics and business intelligence company with clients in 40+ companies. The company is engaged in developing platform for smart cities in India. They invested and collaborated in 2015 with an Indian partly government owned Innovation and Incubation center. The company was found in 2009 in Russia as a startup and currently has less than 100 employees.

Company G is a manufacturer and supplier of automatic doors and windows in Russia. It was founded in Saint Petersburg in 1994. The registered their Wholly foreign-owned enterprise in India in 2015 and opened a Private Limited Company in 2016. The company is the only specialized company with the automotive technique and every year participate in Indo-Russian bilateral projects like Kundankulam Nuclear Power Project, Roopur Project, etc. The company has about 50 employees.

Company H is a software product-based solution provider company headquartered in Moscow, Russia. It provides recreates and simulates software for computers in the areas of combustion, microelectronics, energy sources, photonics and nanotechnology. It is a service-based company as well, founded in the year 1998 who started its distribution channel in India in 2016 via Joined Venture with an Indian Research and Engineering Private Limited firm. The company has more than 50 and less than 100 employees.

Company I is a Russian based click-to-call services e-platform provider. It started as a voice calling solution for website operators to startup in 2009. It is a software service based private company who chose Joint Venture as a mode of entry in India with another Indian startup in 2015. The company actively invest in various Indian Startups and is looking forward to expand its business in India. It has less than 50 employees.

The other sample of company respondents that were interviewed consist of 9 companies (Company J – Company R) associated/collaborate or participated under India Russia Inter-Governmental Commission (IRIGC) cooperation. Out of these, 6 (Company J, Company K, Company L, Company M, Company N, Company O) are registered with IRIGC-TEC (under Trade, Economic, Scientific, Technological and Cultural Cooperation) and are service based companies, Company P is based in Energy and Nuclear Power Industry and 2 (Company Q and Company R) in Oil and Natural Gas Industry and has about400 employees. Out of these, three companies are major player and investors in Indian oil & natural gas and nuclear & power sector with more than 500 employees (Company P, Company Q and Company R). These 3 companies entered Indian market in the year 2000 (Company P, Company Q and Company R) under Indo-Russian agreement of Trade, Economic, Scientific, Technological and Cultural Cooperation. These companies are Russian giants and contribute to more than 10% Russian investment in India. The other 6 (Company J, Company K, Company L, Company M, Company N, Company O) companies are service based companies that started their operation between the year 2014 and 2016 and have employee population between 100-200.

The data received from the interview respondents were compiled in a table to recognize the research finding and will be described in the following section.

Chapter 4. THE RESEARCH FINDINGS

The following chapter provides the results of the data collected to investigate the research question.

4.1 Role of Intergovernment Political Relation on Russian Investment in India

Since 2001, to further improve and develop cooperation between India and Russia, both the countries mutually constituted a powerful body under Programme of India-Russia strategic partnership that conducts affairs at the governmental level between both countries called India Russia Inter-Governmental Commission (IRIGC) which is divided into two sub-bodies: The India-Russia Inter-Governmental Commission on Trade, Economic, Scientific, Technological and Cultural Cooperation (IRIGC-TEC) and India-Russia Inter-Governmental Commission on Military Technical Cooperation (IRIGC-MTC). Until December 2017, 17 meetings and 22 sessions have been institutionalized who undertake and monitor joint projects, trade and cooperation between both the countries at government and federal level. To further develop government relations, ministry of external affairs signs various Memorandum of Understandings (MoUs), agreements and treaties with various countries to enhance trade, cooperation, foreign relations, etc. The list of agreements/MoUs and treaties signed by Indian government with other countries are constituted below (Ministry of External Affairs, 2018):

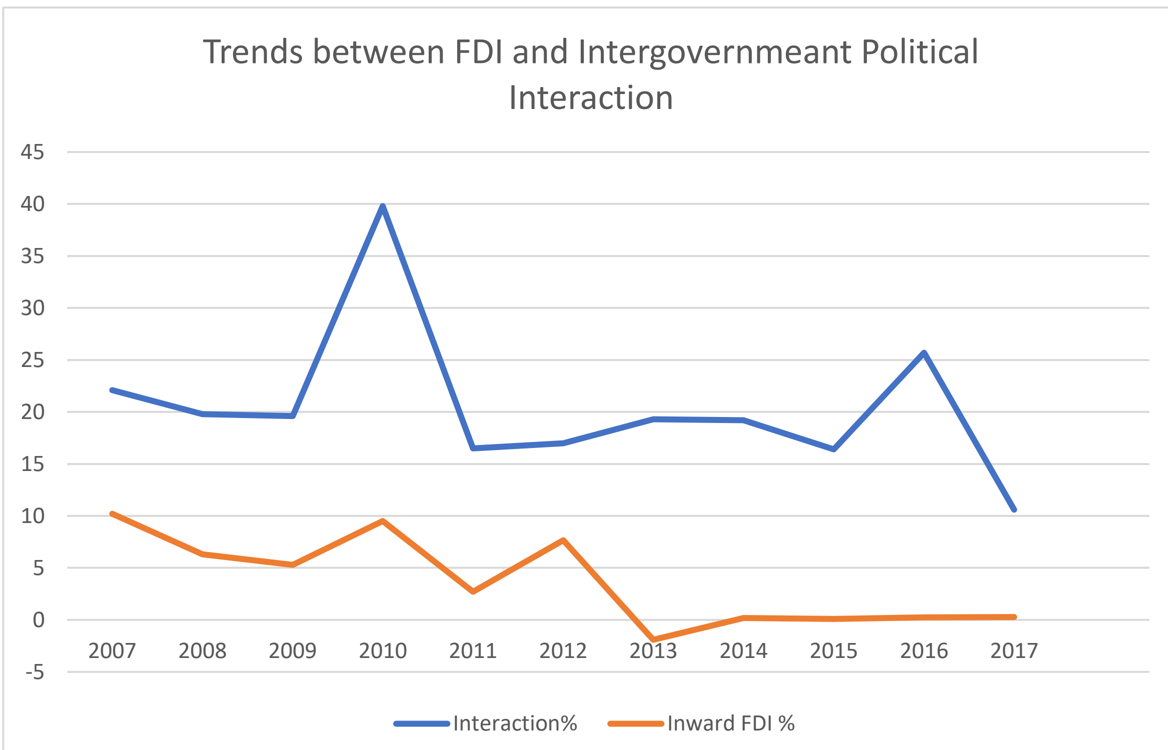
Table 10. Variation on volume of cooperation and inward Indian FDI (2007-2017)

Year	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
Volume of cooperation done by India with Russia	19	18	11	39	17	19	23	29	43	55	22
Total cooperation done by India with different countries	86	91	56	98	103	112	119	151	263	214	208
%age	**22.1**	**19.8**	**19.6**	**39.8**	**16.5**	**17**	**19.3**	**19.2**	**16.4**	**25.7**	**10.6**
Russian FDI to India	2574	2739	1884	2597	986	1838	-537	59	38	107	143
Total Indian inward FDI	25228	43406	35581	27397	36499	23996	28153	34576	44008	44458	53375
%age	**10.21**	**6.31**	**5.3**	**9.5**	**2.7**	**7.66**	**-1.91**	**0.17**	**0.086**	**0.24**	**0.27**

Source: Authors Compilation from CBR and RBI Annual Report (2018)

Table 10 showcase that improved and far developed intergovernmental relations between India and Russia haven't significantly effected on overall investments. This concludes that Russian investment is neither positively nor negatively effected by harmonic and privileged Indo-Russian partnership. As usually, only state-owned and controlled or public companies and organizations participate in intergovernment cooperation, Indian government focus only to attract cooperation from these respective companies which do not influence the investment drive to other private firms or companies. Though, such better intergovernment political relations act indifferent to significance of political environment for such companies, ultimately encourage business cooperation in distributive different sectors.

Figure 6. Effect of Intergovernment Political Interaction on FDI (2007-2017)



Source: Authors Compilation from CBR and RBI Annual Report (2018)

Though the maximum intergovernment political interaction India does is with Russia, still there is no significant role played by this government interaction on Russian Investment in India as FDI doesn't vary in a substantial manner with the volume of intergovernment interaction in case of Russia and India. This concludes that Russian Investment in India is significantly less effected by "special, privileged and strategically important" relations between the countries. Hence, an effective relationship between both the variables can't be established which would conclude a positive or negative impact of intergovernment political relation on Russian investment in India.

To understand why there is no subsequent effect of improved and enhance intergovernment political relation, the response received from interview is compiled and consolidated in the next section.

4.2 Characteristics of the respondents

Table 11 corresponds with characteristics of Russian MNCs and further gives a break-down with respect to industry, number of employees, and number of years since the responding firms entered Indian market.

Table 11. Break down of the Russia MNCs by industry

Number of Employees	Service Sector (fourteen)	Manufacturing /Construction (one)	Energy and Nuclear Power Sector (one)	Oil/Petroleum and Natural gas Sector (two)	Total Responses
Up to 10	-	-	-	-	-
10-50	4	-	-	-	4
50 -100	9	1	-	-	10
100-500	1	-	1	-	2
> than 500	-	-	-	2	2

Source (Author´s questionnaire, 2018-05)

Table 12. Break down of the Russia MNCs by time since entry

TIME SINCE ENTRY	Service Sector (fourteen)	Manufacturing /Construction (one)	Energy and Nuclear Power Sector (one)	Oil/Petroleum and Natural gas Sector (two)	Total Responses
< 1 year	-	-	1	-	1
1 -5 years	14	1	-	-	15
5-10 years	-	-	-	1	1
> 10 years	-	-	-	1	1

Source (Author´s questionnaire, 2018-05)

Table 13. Break down of Russian MNC with respect to their cooperation with IRIGC

	Service Sector (fourteen)	Manufacturing /Construction (one)	Energy and Nuclear Power Sector (one)	Oil/Petroleum and Natural gas Sector (two)	Total Responses
IRIGC	6	-	1	2	9
Non IRIGC	8	1	-	-	9

Source (Author´s questionnaire, 2018-05)

Table 11, table 12 and table 13 shows that maximum Russian MNCs that entered Indian market belong to Service industry (fourteen) and entered one to five years ago, because the Russian economy was still stabilized after the 2008 economic shock compared to other economies and the change in government in India developed better political environment concerned with foreign investment policies which then motivated business cooperation from Russian state-owned firms to make a strategic investment. In 2014, the FDI policy of India became more flexible for service-based industry which influenced the trend of Russian investment in India.

Since the annexation of Crimea and EU sanctions and eased out Indian FDI regulations for Russian owned business under “government to government cooperation”, Russian firms diverted their investments in India. With the development of other energy, nuclear, oil and natural gas cooperation, Russian SME and service sector got opportunity to invest in related business. As these companies have employee less than 250 (UNCTAD 2017), hence they can be classified as small- and medium-sized enterprises (SME). Exploring the timeframe, it can be observed that irrespective of Russian economic growth, the companies look out for expansion in Indian market. The initiation is usually done by large Russian companies, with employees over 500 and then trend is followed by other Russian SMEs. The big enterprises have been able to successfully stay in the market with long presence, being Russian state-owned firms. The three Russian MNCs invested in the oil & natural gas and nuclear & power sector under government collaboration which are under direct control of Indian government and only government interaction is allowed.

Exploring the timeframe, the conclusion can be made that from the time of Russia´s speedy expansion in foreign investment in India in 2014 was only after the declaration of Rosneft-Essar M&A deal which was followed by signing of “strategic partnership” in 2014. From 2008 to 2014, Russian MNCs entered other markets like Cyprus, Netherlands and British Virgin Islands for companies to stabilize their finance and economic growth.

It could be concluded, therefore, that some of the Russian MNCs correlates partly with internationalization theory and updated Uppsala model (2017), where it is argued that firms from similar economies may prefer to start operations in similar markets that share similarities with the domestic market as well as Russian firms internationalized because they were following each other consecutively into new markets, highlights that more technology savvy firms from emerging economies were more likely to engage in accelerated internationalization when international networks facilitated such internationalization.

4.3 Reasons for expansion in foreign Market

Table 14 gives an insight about the reasons of expansion of Russian companies in foreign market. The factors were reiterated and distributed in the form of a table for better understanding.

Table 14. Reasons for expansion in foreign Market

	Service Sector (fourteen)	Manufacturing /Construction (one)	Energy and Nuclear Power Sector (one)	Oil/Petroleum and Natural gas Sector (two)	Total Responses
Growth Prospects	**13**	**1**	-	**2**	**16**
Access to efficient Resources	**4**	**1**	**1**	**2**	**8**
Gain more market Share and Raise Capital	**13**	**1**	**1**	**2**	**17**
Competition in the home country	**3**	-	-	-	**3**
Technology Acquisition	**12**	-	**1**	**1**	**14**
Friendly Bilateral Political relation	**5**	-	**1**	**2**	**8**
Political risk and instability in the home country	**3**	-	-	-	**3**
Follow customer	**5**	**1**	-	-	**6**

Source (Author´s questionnaire, 2018-05)

The responses from the interview were compiled in the form of the above table. The answers were reiterated to get the understanding of reasons why Russian companies opt to expand internationally in the foreign market. From the above table, it can be concluded that Russian companies look for expansion for further growth prospects (economically and financially), gain more market share, raise capital of the company and for international technological acquisition. This coincides with Russian companies' cross border expansion motivation being market seeking, resource seeking and technology acquisition. The respondents from the service industry in the interviews stated that the information technology and software sector in Russia became saturated quickly and intensively competitive. Expanding across borders give them geographic advantage where respective technology or products help them develop better synergy. Such expansion in foreign market help them generate more revenue and capital, ultimately help them diversify their business portfolio.

The Russian Small and Medium Enterprise business have not fully developed and have restricted opportunities for startups as they shall compete with well-established giant Russian MNCs. Being private-owned, these companies are looking for more economic and financial related growth while expanding their businesses across Russian borders and hence aren't motivated with friendly bilateral political relation between countries. Whereas such friendly and strong intergovernment political relations effect the decision making of companies based in Energy and Nuclear Power Sector and Oil/Petroleum and Natural gas Sector. These companies expand to access efficient resources like cheap and skilled labor. As interaction of state owned enterprises of one country with state/public owned enterprise of another country become immensely easy under intergovernment cooperation, companies can exploit different resources rather conveniently.

The responses from government official were partially similar. They stated that though Russian companies at this moment are keener to seek effective market and resources but they are also keen to establish their brand in foreign markets. The less developed Russian sectors combined with difficult geographical and climatic conditions attract them to other "business safe" countries where growth prospect and capital gain are easier to achieve. The officials also stated that few Russian companies follow the expansion process to compete with their American and European counterparts. These companies expand to compete aggressively in the global market.

4.4 Motivation for investment in India

The motivation to operate in India can be driven by many purposes, but the size of the markets and strong growth prospects followed by establishing long-term presence seem to have been the dominant factors for Russian MNCs.

Several studies correlate with motivations of Russian MNCs to undertaking market seeking, resource and technology acquisition aspect. They further state that it is arguable that MNCs expect to gain greater long-term profits through economies of scale and lower marginal costs of production in countries with larger market size. The location factors, on which the Russian MNCs based their investment decision, were market and resource seeking FDIs. The table below shows the deciding location factors for choosing India as a destination for expansion.

Table 15. Location factors of Russian firms in India

	Service Sector (fourteen)	Manufacturing /Construction (one)	Energy and Nuclear Power Sector (one)	Oil/Petroleum and Natural gas Sector (two)	Total Responses
Low labor cost	**2**	**1**	**-**	**1**	**4**
Availability of skilled labor	**7**	**-**	**1**	**1**	**9**
Size of domestic market	**14**	**1**	**1**	**1**	**17**
Strong growth prospects	**14**	**1**	**1**	**2**	**18**
Establish long-term presence	**11**	**1**	**1**	**2**	**15**
Technology Acquisition	**12**	**-**	**-**	**1**	**13**
Follow customer	**6**	**1**	**-**	**-**	**7**

Friendly Bilateral Political relation	**8**	**-**	**1**	**2**	**11**
Political freedom	**8**	**1**	-	-	**9**

Source (Author´s questionnaire, 2018-05)

According to table 15, motivations to enter India for the Russian MNCs were primarily to establish long-term presence in a large market with strong growth prospects and technology acquisition, as relatively any small domestic market would not have equivalent growth potential. Noticeably, in service sector the most dominated motivation of Russian MNCs was large size of Indian market which coincides with strong growth prospects in such market. Out of 18 representatives, 11 respondents mentioned that their primary motive was economic growth and other factors just acted as a buffer to attractiveness of Indian market. With present strong intergovernmental relations to promote “strategic partnership”, Russian MNCs seek to establish long-term presence in Indian market with ease of doing business. Following the Russian companies that entered Indian territory ten years ago via such “Inter-governmental cooperation”, still mark their competitive advantage over other national companies.

This motivation of Russian MNCs corresponds to Johanson & Vahlne, (2009) theory amalgamated with Dunning’s (2008) OLI theory which reveals that motivations behind the investment are market seeking, resource seeking and technological acquisition which coincides with Anwar and Mughal (2014) conclusion that Russian firms do not appear to give importance to political environment or intergovernment relation and seek access to host country's natural resources, market prospects and technology acquisition. According to the Head of the Economic and Commercial Wing (Embassy of India in Moscow), Russian MNCs are motivated to expand on Indian territory because such huge population and substantially increasing GDP would provide better growth prospects for long term. This coincides with goals of Indian government who want to attract companies with similar goals and not the ones who expand in India to exploit cheap labor and resources while seeking efficiency. As the goals of Russian companies coincide with goals of Indian government, the overall market prospects give better opportunities and prospects to Russian companies.

4.5 Most attractive feature of investing in India

The respondents were asked about what the most important aspect of Russian companies are when they investor opt to do business in Indian market. Various responses were clubbed under each category to compile the consolidated results in Table 16.

Table 16. Features of India that attract Russian investors

	Service Sector (fourteen)	Manufacturing /Construction (one)	Energy and Nuclear Power Sector (one)	Oil/Petroleum and Natural gas Sector (two)	Total Responses
Economic Aspect	**13**	-	-	**1**	**14**
Intergovernment Political relations	-	-	**1**	**1**	**2**
Political Environment	**1**	-	-	-	**1**
Socio-Cultural Aspect	-	-	-	-	-
Technological advantage	-	**1**	-	-	**1**
Legal Freedom	-	-	-	-	-

Source (Author´s questionnaire, 2018-05)

The above question was asked to understand out of six features of the market, what may be the most important feature of Indian market that attracts Russian investments in India. Out of total 18 respondents, 14 stated economic feature and aspect of Indian market to be the most attractive.

This concludes that Russian MNCs do not consider the “decent” intergovernment political relation as an important aspect as much they are attracted by the benefits of economic feature of the country. The two respondents that find intergovernment political relation between India and Russia, the most important feature is based in the sectors that are fully under the direct control of governments of the respective countries. The trade or business interaction of these Russian state-owned enterprise can only be done under “government to government” cooperation. Better the intergovernment political relation more investment flow from such state-owned companies based in Energy and Nuclear Power Sector and Oil/Petroleum and Natural gas Sector. The political relation effect immensely the investment decision of companies based only in these specific sectors.

4.6 Efficiency of Indo-Russian intergovernmental political relation

The responses of 18 Russian MNCs were divided with respect to their association/collaboration with India-Russia Inter-Governmental Commission (IRIGC). The data from the responses was compared under this tab to understand their sentiment about efficiency and effectiveness of Indo-Russian intergovernment political relations. The compiled data is consolidated in the below Table 17.

Table 17. Efficiency of Indo-Russian intergovernmental political relation

Scale	**1 (Not Efficient)**	**2 (Slight Efficient)**	**3 (Moderate Efficient)**	**4 (Very Efficient)**	**5 (Extremely Efficient)**
IRIGC firms	**4**	**2**	**2**	**1**	-
Non-IRIGC firms	**2**	**2**	**4**	**1**	-

Source (Author´s questionnaire, 2018-04)

The respondents from the sample state that the intergovernment political relation between India and Russia are not that efficient and hence do not broadly effect the motivation of Russian investing companies. As the companies’ main motivation is economic growth and its aspects, the decision of investment is not significantly bothered by the level of government interaction, rather the MNC's state that such cooperation work effectively only for companies from specific sectors, they being state owned MNCs. The respondents feel that projection of government to its owned enterprise doesn't give them any kind of bargaining power as compared to the former and hence with respect to economic, institutional, socio-cultural and geographic determinants, the intergovernment political relation between India and Russia is not doesn't significantly play an efficient role in determining Russian investment motivation in India.

The respondents outline that obviously this cooperation can be further improved for integration of better investment environment in India for Russian companies like corruption control, bureaucracy, accountability of government, loan sanctions, financial support, infrastructure assistance, formation of Indo-Russian Specific Economic Zones in India, etc. Until, the Russian companies receive a huge economic and financial benefit from this intergovernmental political relation, their investment motivations won't get influenced specifically.

4.7 Effect of intergovernment political relation between India and Russia on company's investment decision

Another question of the interview was based on the effect of on company's investment decision. The responses were compiled with respect to their association/collaboration with India Russia Inter-Governmental Commission (IRIGC).

Table 18. Effect of intergovernment political relations on investment

Scale	**1 (No Effect)**	**2 (Slight Effect)**	**3 (Moderate Effect)**	**4 (Very Effect)**	**5 (Extreme Effect)**
IRIGC firms	**5**	**3**	**1**	**1**	**1**
Non-IRIGC firms	**8**	**3**	-	-	-

Source (Author´s questionnaire, 2018-05)

From the above Table 18, it can be estimated that decision of 19 out of 22 respondents are perceived as uneffected by level of intergovernment political relation between India and Russia as the main motivation of Russian companies is strong growth prospects in a large market. The only difference 2 companies analyzed was with respect to political environment which isn't significant as well. The companies state that as the motivation of Indo-Russian political relation is different from a respective MNC's motivation, the intergovernment political relation between India and Russia doesn't leave a noteworthy impact regarding their decision to invest in India.

Twelve respondents i.e. more than 50% respondents firmly believe that even if the Indo-Russian political relations would deteriorate or get hostile, FDI or any kind of investment will still persist, or even expand due to the likelihood of higher and abnormal economic returns, which is the main motivation of the Russian MNCs.

The respondents stated that increase or decrease in intergovernment political relation doesn't directly impact their investment decision in India but it just acts as a buffer to the overall investment decision. The investment is majorly driven by the economic and financial profit India stretches.

In all, the total measured effect of strong intergovernment can be either positive or no effect at all but impossible to effect negatively on the economic growth of the company with the current growth of favorable economic aspects. The economic returns can vary with respect to other business environment decisions.

4.8 Concurrence of intergovernment and company's goals

The Table 19 describes the level of concurrence that exist between goals of intergovernment and goals of the respective companies. Concurrence of goals is the measure of hoe much goals of two entities coincide or their features match with each other.

Table 19. Concurrence of intergovernment and company's goals

Scale	**1 (Perfectly coincide)**	**2 (Somewhat coincide)**	**3 (Neither coincide nor differ)**	**4 (Somewhat different)**	**5 (Absolute contradiction)**
IRIGC firms	**1**	**2**	**7**	**1**	-
Non-IRIGC firms	-	**2**	**9**	-	

Source (Author´s questionnaire, 2018-05)

Out of the 22 responses, 17 respondents find no coincidence or minimal coincidence between the concurrence of company's investment goals and intergovernment goals. When common company's goals are to increase their profit and market share in a foreign country, intergovernment goals are to develop stronger political relations between the respective governments which should mutually benefit the citizens of the country.

Interestingly, the above conclusion supports the logic and answer why intergovernment political relation between India and Russia do not significantly effect Russian investments in India. With the companies' goals somewhat contradicting the intergovernment goals. The decisions won't be effective in the specific case of India and Russia.

Remarkably, the goals coincide well with the companies operating in the sector completely controlled or restricted for private investments like Energy and Nuclear Power Sector and Oil/Petroleum and Natural gas Sector, these being completely under state-owned or under government control for protection. Hence, have common goals. The three companies registered associated with IRIGC of these two sectors are prime drivers under IRIGC-TEC (India Russia Intergovernment Commission of Trade, Economic, Scientific, Technological and Cultural Cooperation. Their investment decision is not only effected by the intergovernment political relation, rather they are the major participant and driver of such cooperation.

4.9 Selection of the mode of entry

The next question in the questionnaire concerns the mode of entry chosen by the Russian MNCs. Table 19 displays the main findings regarding the entry mode.

Table 20. Selection of the mode of entry

	Service Sector (fourteen)	**Manufacturing /Construction (one)**	**Energy and Nuclear Power Sector (one)**	**Oil/Petroleum and Natural gas Sector (two)**	**Total Responses**
Joint venture	**7**	-	**1**	**1**	**9**
Greenfield investment	**3**	-	-	-	**3**
Merger and Acquisitions	-	-	-	**1**	**1**
Representative office	**3**	-	-	-	**3**
Subsidiary	**1**	-	-	-	**1**
Wholly foreign-owned enterprise	-	**1**	-	-	**1**

Source (Author´s questionnaire, 2018-05)

According to the above table, preferred mode of entry of Russian companies into Indian market is Joint Venture followed by greenfield investment and representative office. Due to close intergovernmental relations, it is easier for some Russian firms to find a local partner. With Joint Venture, the risk and problems associated with bureaucracy, infrastructure, cultural distance and legal system can be decreased. It can be concluded that Russian MNCs are flexible with sharing knowledge with Indian local partners in terms of assets, technology and finance.

These results are consistent and correlated with interview results of government officials who suggested that due to strong intergovernmental relations, Russian MNCs believed in their Indian counterpart and liked to consult with an Indian partner regarding management decisions. This is usually to curb the host country local problems. They stated that in a diverse country like India, the market trends and language changes every 1000KMs which increases the difficulty to understand market trends and practices without local cooperation and knowledge, hence operating in a Joint Venture seemed to be easier to deal with cultural distance and bureaucracy. This also ease out better understanding of host government policies and relations with respect to doing business in the regional territory. In certain sectors, India has 10-49% cap on FDI, hence greenfield investments can only be done with government cooperation in those sectors. Though certain restrictions were lifted just recently in January 2018.

This corresponds with Fey, et al. (2016) “5 M Framework” which states that Russian, Indian and Chinese firms internationalize for different reasons, some internationalize incrementally to obtain technology, acquire well-known brands, diversify risk and to obtain needed raw materials, in a cumulative step-wise fashion focusing on their commitments to foreign markets as they gradually acquire, integrate, and use knowledge about foreign markets. Hence, acquiring foreign manufacturing operations seems more productive than starting greenfield operations which is less time consuming being and essence of joint or global operations. The reasons for choosing these entry modes will be discussed further in the next section.

Out of the 18 companies, 13 companies entered Indian market independently without any government support as they wanted minimum or absolutely nil government involvement in their company’s foreign expansion.

The six services and manufacturing based IRIGC associated companies collaborated with India Russia Inter-Governmental Commission (IRIGC) to build up networks and find potential clients. They felt it would be too risky to start in an unidentified territory without any home government support and agreement with the host country.

4.10 Motives for seeking a local partner

Various respondents stated different motivations for seeking a local partner in the entry mode Russian MNCs chose as mentioned in Table 21.

Table 21. Motives for seeking local Indian partner

	Service Sector (fourteen)	Manufacturing /Construction (one)	Energy and Nuclear Power Sector (one)	Oil/Petroleum and Natural gas Sector (two)	Total Responses
Local market knowledge	**9**	-	-	-	**9**
Government contacts	**7**	**1**	**1**	**2**	**11**
Cultural and social knowledge	**6**	**1**	**1**	**2**	**10**
Access marketing/ distribution network	**1**	**1**	**1**	**2**	**5**
Past relationship	**4**	**1**	**1**	**1**	**7**
Host government requirement	**2**	-	**1**	**2**	**5**
Access supply network	-	**1**	-	-	**1**
Finance	**2**	-	**1**	-	**3**
Spread risk	**2**	**1**	-	-	**3**

Source (Author´s questionnaire, 2018-05)

Table 21 displays the main motives of the Russia MNCs to seek a local partner in India where the most common reasons were to have cultural and social knowledge while having access to government contact so that companies can more easily navigate through the bureaucracy and infrastructure problems of the Indian market. These are assets of the host-country partners that cannot be easily bought or imitated by Russian MNCs but are probably critical to their operations in the Indian market. Other reasons were based on a past relationship, and requirements of the Indian government. It could therefore be argued that the Russian MNCs sought to complement their operations with selective local partners that would provide them with an insight into the surrounding environment.

Russian firms being inexperienced in operating in the Indian market, sought local market knowledge and cultural and social knowledge to lessen the gap in the cultural and psychic distance. As well, Russian MNCs have better technical and innovative skill giving competitive advantage in Indian market with respect to sector like nuclear power, oil and natural gas. Hence motivation to seek a local Indian partner is to have a local cooperation more than improving companies' own international presence. The reasons for Russian MNCs engaging in an entry mode into Indian market which would include a partnership with a local firm (JV, licensing, subcontracting) was to majorly to gain local support and share risks and costs. Those companies that chose to enter by representative office mentioned that they found it simpler and easier start in a new and unfamiliar market. The MNCs that chose the wholly foreign-owned entry mode were looking for flexibility, full property entity wanted to have flexibility and become more competitive on the Indian market.

One of the details given by the Russian MNCs, to share the risk by entering through a joint venture, is in line with Mroczek (2014) transaction cost study, which states that the amount of transaction cost is directly proportional to amount of control selected hence, MNCs can limit the risk by reducing the size of the investment and respective resources commitment. It also gives the MNC a better chance to exit the market if economic conditions worsen. The findings also align well with interview insights by the president of Union Central-Siberian Chamber of Commerce and Industry who detailed that transactions below USD500,000 are most probable for Joint Ventures than above them as such transaction cost is more personal or feasible for small companies to invest and maintain. With higher transaction cost, Russian investors determine to invest with Indian government cooperation or state-owned enterprises because it reduce the possibility of personal and financial risk and enhanced local cooperation.

4.11 Problems encountered in the Indian Market

Table 22 summarize the main problems that the Russian MNCs faced while entering Indian Market.

Table 22. Problems encountered in Indian Market

	Service Sector (fourteen)	Manufacturing /Construction (one)	Energy and Nuclear Power Sector (one)	Oil/Petroleum and Natural gas Sector (two)	Total Responses
Bureaucracy	**10**	**1**	-	-	**11**
Infrastructure	**9**	**1**	**1**	**2**	**13**
Cultural distance	**8**	**1**	**1**	**1**	**11**
Legal system	**4**	-	**1**	**2**	**7**
Inadequate workforce	-	**1**	**1**	**1**	**3**
Corruption	**1**	-	-	-	**2**
Language	-	**1**	-	**1**	**2**

Source (Author´s questionnaire, 2018-05)

As can be seen from table 22, the problems faced in India are similar as to other diverse industries in different countries; they have mostly suffered from cultural distance, infrastructure and the bureaucracy in the country. From the table it can be seen that language problems have especially been encountered in the manufacturing industry as the companies in this industry require a higher number of employees than the other industries. In the borders of 29 different Indian states, each has a different language, hence communications problems are more likely to arise with such diverse population and distance. Though English is the second most spoken language but with industries like manufacture where the employees come from lower poverty line, it becomes difficult to communicate, which consequently impacts the niche of regional culture.

Bureaucracy problems were encountered in both service and manufacturing which could be because these industries need to file for more licenses for their operations with the government at local and national levels as compared to the other industries. It is quite convincing that energy and power sector are under the central ministry and only intergovernmental cooperation is allowed hence, in the other sectors, the MNCs didn’t face bureaucratic problems.

As an insight, one respondent commented, that apart from the above problems, Russian MNCs problem encountered depended on where in India the investment is located as India is further divided into 29 states and 7 Union Territories, if the government in a respective state and the central government is same, then most problems are infrastructure and cultural distance related. An investor would face different problems in Mumbai as compared to in Hyderabad. For e.g. Rosatom investment in West Bengal was terminated in 2013 due to conflict with the central government and moved to Telangana which is a major service, IT and software hub and was in control of the central government. When one discusses investing in a country, the investment can be in different regions within the country, and that can make the experience and problems encountered as various as the diverse regions of that country. The motivation as well comprehends interaction effect of country governance.

The respondents feel that if the intergovernment cooperation become more efficient, they can eliminate or delimit the problem of infrastructure, bureaucracy, legal system and corruption. But as of now the intergovernment political relations haven’t been that effective. Both the firms associated with IRIGC and not associated with IRIGC classified the less effectiveness of intergovernment political relations on Russian investment in India and state more efficient goals need to be subsidized for welfare of other sectors not under state or public owned.

4.12 Russian MNCs future developments in the markets

In the last part of the questionnaire the representatives of the MNCs were asked to discuss their firm future plans in India: whether further investments would be made; if they would hold their position or plan to reduce their operations in the Indian market. Though not all the respondents commented on this question, but a summary of the main responses is as following:

India's 7.2% of GDP growth is an attraction to the world with India's purchasing power rising substantially in recent years, when the world was getting over economic crisis of 2008, Indian companies were still growing due to their investment potential. The startup and IT boom, quadrupled the opportunities for investment. With greater purchasing power, quality of life has increased for a higher percentage of Indians, but there is still great inequality when it comes to lifestyle where the socio-cultural and linguistic division hinder the wide options available.

Like other MNCs, Russian companies have not let the growth and potential growth of the Indian market go unnoticed, and hence exploited their presence in all sectors. Despite the financial crisis followed by the 2014 oil crisis in the global economy, India has not been hit as hard as many other economies, and the Russia MNCs see plenty of business opportunities in the market.

The Russian multinational companies have stated their plan to further expand in Indian market and continue with their operations and ongoing projects in India. Not just that, the companies have planned to increase their investments further partially due to close knit intergovernmental relations. The manufacturing sectors which started a joint venture in service sector which includes banking and financial as well indicate their plan of opening independent representative offices for further expansion. Russian companies which exited the Indian market mark their own independent personal decision being responsible for exit and not the Indian market opportunities or trends. Though following the example of MTS in telecommunication sector, which entered India before the present government in power, telecommunication companies do not intend to harness the Indian market recently even after the upliftment of 49% cap by Indian government. Moreover, Small and Medium Russian companies follow the trends of Large Russian MNCs. Though these are mostly state owned or have government stakeholders, such companies interact only with their equivalent Indian counterpart companies that is which are either fully Indian State-owned enterprises or under partial control of the Indian central government.

Table 23. Complied Research Findings

	Compiled Response		Effect of Intergovernment political relation
	Response	**Percentage**	
Reasons for expansion in foreign Market	Further Growth Prospects	81.8%	No significant effect
	Gain More Market Share and Raise Capital	71.2%	
	International Technological Acquisition	63.6%	
Motivation for investment in India	Establish Long-Term Presence	83.3%	No significant effect
	Large Market	77.2%	
	Strong Growth Prospects	81.8%	
	Technology Acquisition	80%	
Most attractive feature of investing/ doing business in India	Economic Aspect	88.8%	Hence, intergovernment political relations not even considered
Efficiency of Indo-Russian intergovernmental political relation	Slightly or inefficient	75.6%	Hence, ineffective to investments
Concurrence of intergovernment goals and company's goals	Neither coincide nor differ	72.7%	Ineffective to investments

Selection of the mode of entry	Choose Joint Venture	81.8%	Effect investments majorly
Motives for seeking a local partner	Gain cultural & social knowledge	55.5%	Partial effect to IRIGC associated
	Access to government contact	61.1%	
Problems encountered in the Indian Market	Infrastructure	59.9%	Partial effect to IRIGC associated
	Cultural Distance	50%	
	Bureaucracy	50%	
Future developments in the Indian markets	Further expansion to seek resources, market and technological acquisition		Doesn't Effect Decision

Source (Author´s Compilation, 2018-05)

In a nutshell, seeing plenty of business opportunities, Russian MNCs expect to further expand and integrate in various sectors of Indian markets, which shall outshine their presence in India.

Chapter 5. CONCLUSIONS AND DISCUSSION

The objective of this chapter is to conclude and discuss the major findings from the research presented in this thesis. The main purpose of the present thesis was to study the niche aspect of Indo- Russian business relationship with respect to inter-government political relations that effect Russian investments in India. India and Russia are time tested strategic partners and dependable allies since the last seven decades. Russia has been providing technologies and strategic equipment to India since its independence from British Raj in 1947 and thus has proved to be India's all-weather friend. In the story of India's economic growth and progress, the Russian Federation has played quite a significant role. To the best of Author's knowledge, this is the first study to focus on effect of intergovernment political relations on outward foreign direct investments of Russian firms to India. The research data is based on investment decisions of Russian firms in various industries. The research findings provide a brief insight into the effects of environment, motivations and experience of the Russian firms in the Indian market.

The research reveals that the main motivations of the Russian firms to enter India was not significantly ignited by the initiatives of Indo-Russian intergovernment which has state ownership in strategic areas of the economy to extend the strengthening of its special privileged partnership within the scope of Russian Federation and the Republic of India but provided the friendly political environment to Russian MNCs which motivated them to establish a long-term presence in a larger market with strong growth prospects.

Being highly depended oil and natural gas production-based economy, Russia has inevitable effects on its business prepositions with India because of limited sectors India and Russia have integrated in despite the potential for expanding in mixed and diverse Indian economy.

Though the relationship between India and Russia proliferated due to association with BRICS (Brazil, Russia, India, China and South Africa), surprisingly so less has been studied in regard of their personal interaction, in international business. The database about the companies' investment information is very limited and concise, which made conduction of the research difficult.

The decision process of Russian companies that have entered India, in different sectors and industries, came as a surprise. Most of the companies had common answers to interviewer's questionnaire though why and how they entered the markets varied, certainly, depending on their personal choice, motivation, presence in the industry and the products.

Considering the ultra-strong bond between Indo-Russian governments, the effect should have been visible on the aspects of investments, though one may wonder the correspondence of its effectiveness. The overall globalization and integration effect between India and Russia certainly have to potential to become closely-knit nations.

The present thesis as well presented brief insights into the motivations and investment decisions of Russian companies in India. The research findings from eighteen Russian companies yielded informative data about the factors, effects, motivations and investment decisions.

The process of formulation and findings of this research thesis helped in comparing the volume of government interaction and investments integration conclude the first research question put forward which was: What is the effect of intergovernment political relations between India and Russia on Russian investment done in India? The strong and close inter-government political relation between India and Russia do not significantly effect the decision of Russian companies to invest in Indian market. Due to variation in the main goals and expectations of Russian companies and Indo-Russian cooperation, the companies do not find or even consider the aspect of intergovernmental relations.

In the second research question the reason of ineffectiveness of intergovernment political relation was investigated. The answer of the companies gave an interesting insight that Russian companies being profit seeking are highly motivated by economic and financial aspects with respect to ease of doing business in already growing Indian market. The MNCs are motivated to establish their long-term presence in a larger market with strong growth prospects and technological integration. The primary motivation for their decision condones the characteristics of being resource seeking for most sectors and market seeking for service sector-based companies. The economic crisis in 2008 motivated techie-boom in Indian software and related industry which attracted offshore operations from worldwide. This gave enormous push to startups and small and medium enterprise industry. Russian companies are no different, though took a lateral entry only after the saturation and radical confusion in the home country. The expansion motives of Russian MNCs and their motives of expansion of in India compliments each other. Though there is less comprehension between the factors of motivation of Russian companies and factors of attraction of investment by Indian government except the economic factor. Generally speaking, Russian companies demand making this intergovernment relation more beneficial and efficient to private companies providing them benefits like support in infrastructure, guideline in prospective setup of Special Economic Zone, provision of financial support during expansion from home and host country, setup of intergovernment banks and mutual funds for private and small-medium companies to further expansion and control of mediator corruption.

The third research question concentrated on the main motivations and investment decisions of Russian MNCs to invest in India. The question was related to the second research question and understand in brief why this majorly strong and intense intergovernment relation between India and Russia isn’t effective enough. The answers gave an insight that the difference in goal of Russian companies to expand in Indian market and goal of inter-government relation doesn’t directly correspond. The selection of mode of entry and motives for seeking a local partner comprehends to reduce the problems that companies encounter in the Indian market like infrastructure, bureaucracy, cultural distance and language. Further the intergovernment relation doesn’t reduce these problems so it becomes hands on decision of the companies themselves took charge of their business expansion in a foreign market through investments.

Another interesting trend observed in the trend of Russian investments was that certain companies entered Indian market in association with the India-Russia Inter-Governmental Commission in search of clients and projects and reasons partial influence of intergovernment political relations on their ease of investment options. There are similarities between motivations, factors and effects of this cooperation on investments between IRIGC associated and non-IRIGC associated, concluding that the effect is so minimal that it can be neglected while making a decision process regarding investing, increasing investment portfolios, decreasing or exiting the market.

It seems that once Russian MNCs remain loyal to their choice of investment destination as they remained committed to their businesses in Indian market while intending to maintain their long-term presence. They are prepared to accept all the shortcomings of the market.

While performing the research, many new questions ascended during the process of this thesis. This study further puts a foundation for future researchers to further research on investment interaction between Indian and Russia. The study not only leads to a conclusion that the subject needs further exploration. This study can contribute to research on similar economies' studies in the international business world by focusing on firms from Russia and India. As foreign investment continues to grow in the global market, the method of this study could possibly be useful for examining FDI behavior of Russian firms in other parts of the world, such as in South East Asia, Africa and Europe through the lens of intergovernmental political relations.

An interesting future research can be conducted with wider samples of other sectors or focused study on sectors that are affected by intergovernment political relations like entertainment industry, tourism industry, etc.

It could also be interesting to perform quantitative research and find statistical correlation with larger sample of Indian and Russian descendants and determine their characteristics in emerging markets.

Another interesting future research topic would be to explore effect of Indo-Russian business cooperation and bilateral treaties on Indian and Russian investments while focusing on other external factors like India's relationship with Japan and US and Russia's relationship with Pakistan and China with whom India has geopolitical conflict. Many studies constitute different theories, a formulation of a general framework with respect to effect of inter-government relations on different types of investment will be beneficial for analysts and organizations related to the research area.

Lastly, it is hoped that the data from this thesis research, research findings and conclusions will contribute in understanding of the effect of intergovernmental political relations on outward FDI from Russia with respect to the Indian market.

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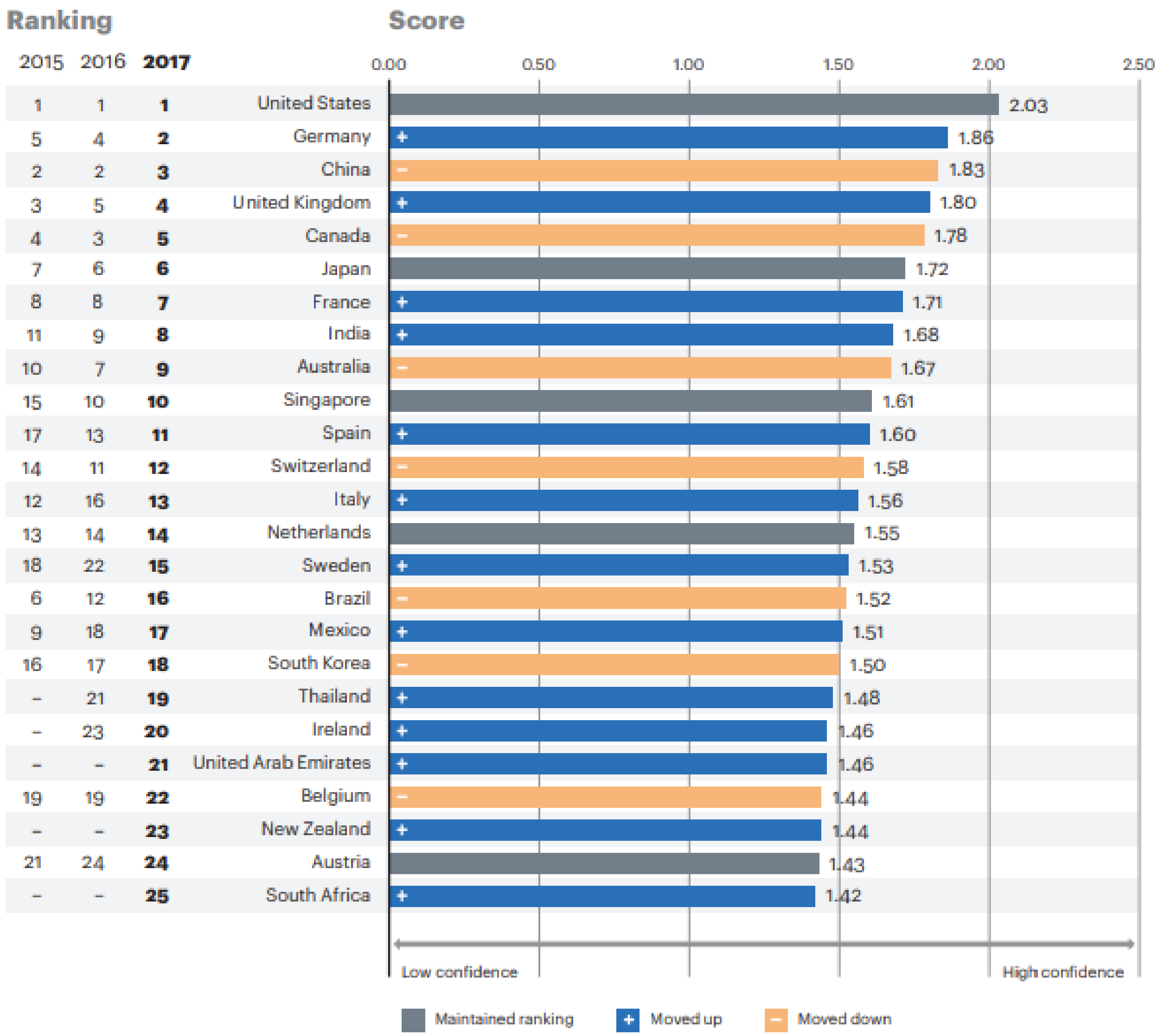
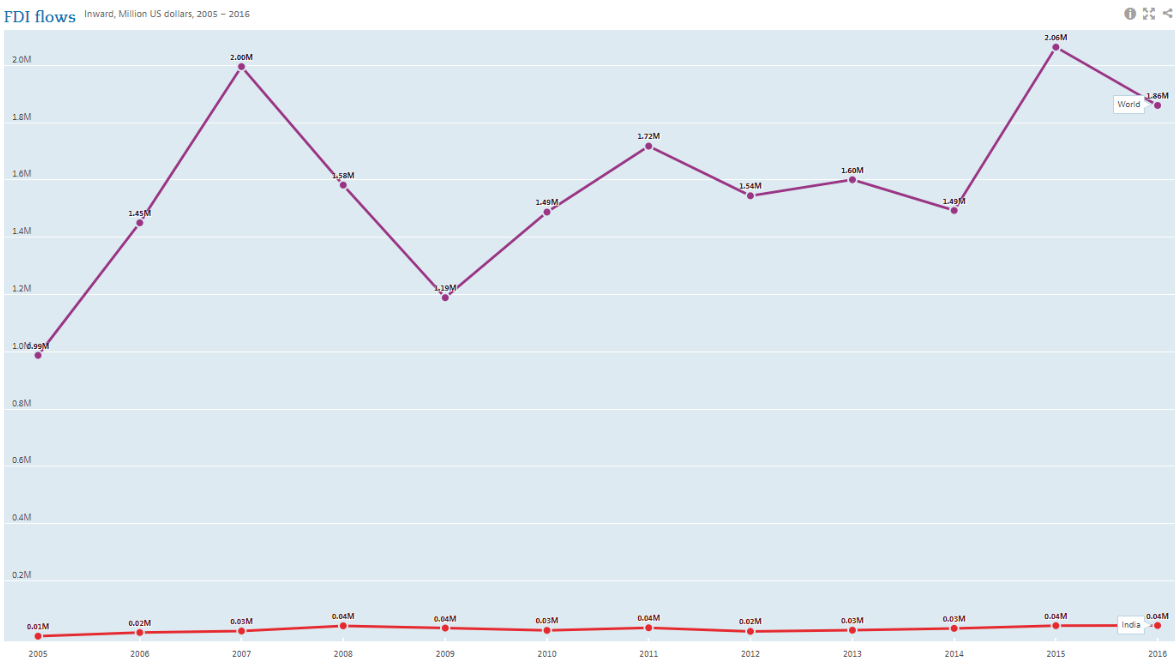
APPENDIX

Appendix 1. A.T. Kearney FDI Confidence Index (Inward)



Appendix 2: FDI flows, Inward, Million US dollars, 2005 – 2017



Appendix 3: Table of Russian Outward FDI to Indian Market

Country of direct investment	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total Russian OFDI	298,357	361,121	361,750	409,567	479,501	411,270	367,593	418,034	455,410
INDIA	1,884	2,597	986	1,838	-537	59	38	107	122

Appendix 4: Interview Questionnaire

Format of question for Companies	Format of questions for Questions for government officials
1. Why did the company expand in the foreign market?	1. Why do Russian companies expand in the foreign market?
2. What was your motivation to invest in India?	2. Why Russian companies are opting to invest in India?
3. What is/are the most important aspect of investing/ doing business in India?	3. What is/are the most important aspect of investing/ doing business in India?
4. On the scale 1 to 5, with 5 being the highest, how efficient are intergovernmental political relation between India and Russia?	4. On the scale 1 to 5, with 5 being the highest, how efficient are intergovernmental political relation between India and Russia?
5. On the scale 1 to 5, with 5 being the highest, how did the intergovernment political relation between India and Russia effect your investment decision?	5. On the scale 1 to 5, with 5 being the highest, how does the intergovernment political relation between India and Russia effect Russian investment decision in India?
6. On the scale 1 to 5, with 5 being the highest, how did the intergovernment political activities and interaction impact your economic growth? Which ones? At what stage?	6. On the scale 1 to 5, with 5 being the highest, how does the intergovernment political activities and interaction impact Russian companies' economic growth? Which ones? At what stage?
7. On the scale of 1 to 5 how much does your investment goals and intergovernment political relation goals coincide? Please explain.	7. On the scale of 1 to 5 how much does Russian companies' investment goals and intergovernment political relation goals between India and Russia coincide? Please explain.

8. Does the increase in intergovernment political relation effect your investment decision between India and Russia?	8. Does the increase in intergovernment political relation effect investment decision between India and Russia?
9. What was your entry mode and why you chose that type of entry mode?	-Not Applicable-
10. Did you enter Indian market with government's support or independently?	-Not Applicable-
11. What was the motive of seeking a local partner (if chose the entry mode with local partner)	9. Why do Russian companies seek a local partner (if applicable)
12. What was the major problem(s) encountered by the company while investing in India?	10. What is the major problem encountered by Russian companies while investing in India?
13. On the scale of 1 to 5, how much participation with intergovernment cooperation have or would have eliminated or delimited the problem?	11. On the scale of 1 to 5, how much participation with intergovernment cooperation have or would have eliminated or delimited the problem?
14. How does the company foresee its future development and plans regarding its operations in India? Is consideration being given to investing further, holding the position or withdrawing from the market?	12. How do you foresee the future of Indo-Russian Cooperation with respect to Investment?